# NANCIAI

Cash crisis

Serbian monetary policy causes dinar drought





Turmoil in Turkey Erbakan takes

the blame



Renewable energy

Europe sets ou its ac**tion** plan

Privatisation shifts savings into shares

**WEDNESDAY JUNE 4 1997** 

# key role



A record \$5.9bn was invested in young companies in the information technology sector last year. nformation Technology looks at the central role of the US venture capital community in Silicon Valley.

# **Telecom partners** act to strengthen **European alliance**

Unisource, an alliance of European telecom operators, moved to tie its members more tightly together after the defection of a key partner last month. The remaining partners, KPN of The Netherlands, Telia of Sweden and the Swiss national operator plan to merge their carrier services, which sell transmission capacity to other operators, to form a \$2bn turnover wholesaler with pan-European reach. Page 13

UK to press Bonn over Eurofighter, UK defence secretary George Robertson will urge his German counterpart, Volker Rühe, to maintain funding for the Eurofighter project, which Mr Robertson sees as an important part of Europe'e industrial base. Page 3

Peres' successor poised: Ehud Barak was poised to lead Israel's Labour party in success sion to Shimon Peres, 73, who was defeated in the general election a year ago, Page 4

Liberals win in Canada: Jean Chrétien'e ruling Liberal party won Canada's general election, but with a reduced majority. Page 12; Poll opens cracks in face of Canada, Page 6, Editorial Comment, Page 11

### IRA terrorist suspect given ball



IRA terrorist suspect Roisin McAliskey was granted ball by a judge in London to allow her to move to a specialist mother and baby unit. She gave birth to a daughter a week ago. Ms McAliskey is await-ing extradition proceedings to Germany where she is wanted for ques-

tioning over a mortar bomb attack on a British army base last summer. Ban looms for splinter groups in Northern

European hotels face shake-up: The European hotel industry will be shaken up by mergers, acquisitions and joint ventures as international chains vie to increase their presence, a report says. Page 5

SKF aims faster bearing at Japan: SKF of Sweden, the world'a biggest maker of industrial rolling bearings, aims to raise its share of the Japanese market with a new bearing claimed to allow machinery to run 15 per cent faster. Page 5

Music Industry in piracy crackdown: The music industry is to create a global antipiracy network, based in London, to detect and act against manufacturers and distributors of unauthorised recordings, Page 5

Coke seeks to oust Cadbury: Coca-Cola, the world's biggest soft drinks company, is trying to force Cadbury Schweppes, number three in the US soft drinks market, out of thousands of McDonald's fast-food outlets. Page 12

S Korean finance ministry faces curbs: South Korea's powerful finance ministry could see its influence curbed under plans announced by the government-backed financial reform committee. It proposes granting independence to the country's central bank. Page 12

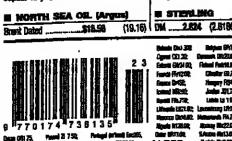
Japan approves tough spending cuts: Jepan adopted proposals for severe spending cuts in an attempt to reverse the country's deficit-ridden finances. Page 7

World Bank to copy Burger King: World Bank president James Wolfensohn is encouraging managers to think more like Burger King employees. He said the bank, like the restaurant chain, was continually seeking to improve its service to clients. Page 12

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E STOCK MARKET INDICES | E GOLD

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# Bundesbank wins the argument over qualification for

# Waigel backs down on gold

The German government yesterday abandoned ite Social parties, said there attempt to use profits from revaluing the country'e gold reserves to meet the criteria for Emu this year, in the face of massive opposition from the needed to qualify for Emu. Bundesbank and the public.

Waigel, the finance minister, and Mr Hans Tietmeyer, the Bundesbank settle their damaging dispute. Mr Tietmeyer agreed that of spending on investment and the gold could be revalued this in line with constitutional year. But the government, in a requirements. Bundesbank, accepted that the transfer of the proceeds to Bonn from the resulting capital gain would only take place in 1998, in line with the Bundesbank's normal accounting

This means Mr Waigel will no longer be able to count the proceeds of a gold revaluation towards meeting, in 1997, the criteria for economic and monetary union laid down in the 1992 Maastricht treaty. The government will have to resort to other measures to reduce its deficits if it is to meet the

Although the agreement still needs the approval of the Bundesbank's decision-making central council, Mr Waigel's climbdown should take the sting out of the dispute that has highlighted Germany's financial problems and cast doubt on the future of the euro, the planned single European currency. After the min- that he did "not think Ger-

ister met MPs, Mr Wolfgang Schäuble, parliamentary leader of the coalition's Christian Democratic and Christian would have to be greater efforts to bring Germany's public deficit below the 3 per cent of gross domestic product

Mr Schäuble also signalled At a burriedly-arranged an increased privatisation meeting in Bonn Mr Theo drive this year. Although privatisation proceeds do not count towards meeting the president, rules for Emu, they will help reached broad agreement to the government keep the federal deficit below the level of spending on investment and

> nothing to resolve a parallel row within the Bonn coalition over financing the federal bud get for 1998, however.

Early in the morning the Chancellor. Helmut Kohl, chaired a second crisis meeting of coalition leaders in 36 hours in an attempt to bridge a serious rift over whether or not to raise taxes But Mr Kohl's CDU and Mr

Waigel's CSU made no ohvious progress in resolving differences with the small Free Democrat Party, the junior coalition partner. Mr Wolfgang Gerhardt, FDP leader, said Germany would be

able to solve its budget prob-

lems and meet the Maastricht

treaty criteria "without resorting to tax increases". However Mr Michael Glos. leader of the CSU MPs in the Bundestag, the lower house of the Bonn parliament, count-



Hans Tietmeyer, left, and Theo Waigel leave the Bonn finance is im

many could meet the Masstricht criteria credibly without a tax rise". Mr Waigel has consistently refused to rule out higher taxes against a back-ground of rumours that he is seeking either to raise oil and petrol duties, or to delay an

increases - Mr Christian his dismissal. Wulff, the CDU leader in Lower Saxony, warned that Peace with the Bundesbank higher taxes would damage his Page 2; Editorial comment, agreed 1998 cut in the solidar . party as well as the German Page II; Lex. Page 12; Governity surcharge, imposed on tax- economy. Mr Waigel will today.

inflation, but the ministry,

which has the final word on

exchange rate policy, is under-

stood to favour a more compet-

to maintain an undervalued

"The government will need

itive peso. ·

payers to help finance eastern statement to parliament.

Germany, on his gold revaluation plans Some members of the CDU: and defend himself against an are also opposed to tax opposition motion demanding

"A strong peso has always

given us an artificial sense of

well-being. Wa consume more

. Over the past year, in which

the peso has appreciated about

15 per cent against the dollar,

imports of consumer goods

have grown 52.7 per cent.

Mexico City.

and imports rise." .

# **Investors** shun rights issue for Malaysia's Bakun dam

By James Kynge in Kuele Limpur

A rights issue to help finance the building of Malaysia's controversial Bakun hydroelectric dam has been substantially imdersubscribed, supplying the clearest evidence yet that investor gentiment has turned egainst one of the government's most important infra-

structure projects.
The one-lor-one rights issue of 257.14m shares in Ekran, the company managing the con-struction, has been less than 50 per cent subscribed, finan-elai industry analysts said. The closing date for subscrip-tion has passed and details of the rights take-up are expected to be announced next week.

Analysts said the undersubecription would not affect Ekran's ability to raise a planned M\$1:465bn (US\$582m) from the rights issue, because shares which are not placed will be taken up by 17 underwriters led by Commerce International Merchant Bankers, a local bank.

However, it does demonstrate how the decline in . Kuala Lumpur's stock market since late March is affecting the ability of companies to raise equity finance - The undersubscription is also likely to cast a pall over Ekran's stock for some time. "It is almost unheard of in

Malaysia for any IPO [initial public offering) or rights issue to be undersubscribed," said one analyst. "This is a signifi-cant event."

The lacklustre investor response is partly the result of M\$5.70 a share, which is higher peso if it wants to increase domestic savings," saye Mr Rogelio Ramirez, of Ecansi than the price at which the stock has been trading for much of the past two weeks. Ekran closed up 30 cents yeseconomic constitants in terday, et M\$5.75, after what analysts said was concerted buying by institutions aiming at bolstering the share price.

The shares hit a high of M\$12,30 last year, when gov-eroment backing for the project persuaded many investors that little could go wrong. Of

Continued on Page 12

# Mexico plans to break cycle o

By Lestie Crawford in Mexico City

### Zedillo seeks faster growth, investment

Mexico's government yesterday announced e three-year economic plan designed to force each year, the govern-speed growth, boost invest-ment aims to speed up ecoment and prevent a recurrence of the financial crises which have affected the country et 5.6 per cent in 2000. the end of each six-year gov-

ernment term. "This is the first time the finance ministry publishes detailed, medium-term macroeconomic and fiscal projections, and we are doing so to break the six-year cycle of economic crises," said Mr Guilermo Ortiz, finance minister. The National Plan for Financing Development outlines President Ernesto Zedillo's economic goals until the end

December 2000.

nomic growth from an estimated 4.5 per cent this year to

The government expects almost all the new investment to be financed with internally generated domestic savings, in marked contrast to previous booms which were funded with foreign borrowings. "We will use foreign funding

only as a complement to the

Mexicans who join the labour rent account deficit, which financial crisis, is projected to reach a maximum of 3.2 per

Investment is forecast to rise from 20.9 per cent of gross domestic product in 1996 to 25.4 per cent at the turn of the

of his administration in effort that will go into raising Mexico's domestic savings

bank are at loggerheads over grew to an unsustainable 8 per the recent appreciation of the cent of GDP during the 1994 peso. Central bank officials favour a strong peso to contain.

cent of GDP in 2000, be said. Foreign direct investment, rather than the volatile shortterm capital flows of the past, is expected to cover most of the balance of payments gap.

Unlike previous national development plans, President Zedillo's blueprint contains almost no discussion of foreign exchange policy or the role of the dehilitated banking sector in Mexico's economic recovery

The document commits the government to maintaining a freely-floating exchange rate, even though the finance minis-

# To create jobs for the 1m rate." Mr Ortiz said. The cur- try and autonomous central Retired IT veterans asked to cure 'millennium bug'

By Nicholas Denton

A state government in the US s bringing information technology veterans out of retirement to correct ancient software programs riddled with the "millennium bug".

A bill going through the Oregon legislature will allow pensioners to work full-time and keep their retirement benefits - provided they are employed in solving the Year 2000 problem. This old guard of IT veter-

Corps" which Oregon is setting up to amend software that will otherwise fail when faced with dates after 1999. The pensioners will contribute knowledge of languages such as Cobol and Assembler, which were used to develop applications for mainframe

computers in the 1960s and

after the advent of personal federation of British Industry,

People thought Cohol was a dead language and moved on to newer ones," said Ms Julie Pearson, statewide technical education manager, who is recruiting school leavers as well as retirees into the Y2K rather than four.

The employment of IT veterans, some of whom helped develop the programs now becoming unstable, is intended to reduce the estimated \$86.9m cost of fixing ans is expected to make up a computer systems in Oregon third of a 200-strong "Y2K state offices by a third. The state estimates it can pay them half the rate outside

consultants would demand. The UK Department of Trade and Industry and business organisations will also explore the use of a "Dad's Army" to tackle the millennium bug at a skills summit organised by Taskforce 2000, an agency backed by the Con-

The origin of the millennium bug lies in the cost of

computer memory at the time many programmes on mainframe computers were writ-ten. Developers saved space by storing the year as two digits Many ageing programme

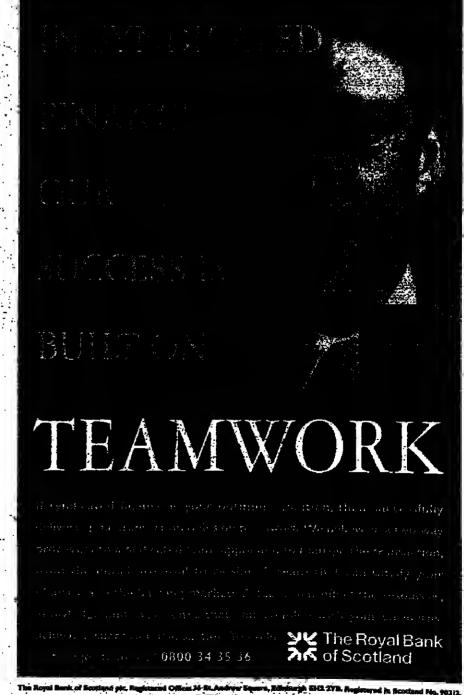
which assume correctly that 97 means 1997, will become confused after the turn of the millernium and wrongly identify 01 as equivalent to 1901 rather than 2001. The problem, although

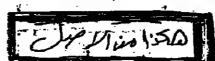
straightforward, is costly to correct. In the UK, 300,000 additional IT staff are needed. according to Taskforce 2000. Computer service companies

such as Cap Gemini have developed software tools to speed conversion of software, and some work is being sent to contractors in developing countries such as India, where

### 1970s but fell out of favour CONTENTS Gold Markets: International ......... 14,16,18 Int. Bond Senice . Managed Funds ..... 25-27 Share information ...

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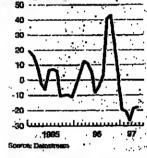
By David Owen in Paris and Haig Simonian in London

Tension is monntlng between the French Socialists and the country's struggling carmakers within days of the left's emphatic general election victory.

Two leading party figures yesterday criticised the carmakers Renault and Peugeot-Citroën for their measures to cut costs.

Ms Elisabeth Guigou, the former European affairs minister, hit ont at Renault's recent decision to close its Vilvoorde factory in Belgium, saying the company was "hrutal" and had not "explored every possibil-ity". She called for new discussions to explore whether "there are other possible

Annual % change in 3-month moving average



courses of action". She said the measures demonstrated the need for "a special European strategy in the antomotive sector".

Mr François Hollande, the senior Socialist spokesman, criticised Pengeot's handling of the amouncement of more than 2,800 job cuts in France for the year starting next month.

He said it was "not nor mal" that France's new leftwing majority had not been informed of the move, or that the announcement should come so soon after Sunday's vote. "We will not allow the carmakers to do away with jobs withon referring the matter to the public anthorities," be said. He continued: "There is a real problem in the car

industry; that is why we must get consumption going again." Peugeot said the timing of the announcement was a

came in the wake of monthly figures showing new car registrations in France in May down 23 per cent from a year earlier at 120,593 units. This brought the rnnning total for the year to date to 691,465 registrations, 22.6 per cent lower than the same period of

tion of a government and industry incentive scheme. The French carmakers along with Fiat of Italy, have been worst hit by falling sales, with registrations of new Pengeot-Citroens down 28.3 per cent in the year so far and Renaults

1996. The collapse is largely

explained by the termina-

down 20.4 per cent. Mannfacturers have become progressively more pessimistic about prospects for the French car market. Peugeot-Citroën is forecasting a 13.3 per cent year-onyear decline to some 1.85m units this year.

Mr Jacques Calvet, Peugeot-Citroen chalrman, suggested France was likely to be only the fourth-largest European new car market in 1997, behind Germany, the UK and Italy.

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# Emu commitment has high price for Waigel say economists

# Peace made with Bundesbank

Frankfurt and Lionel Barber in Brussels

Mr Theo Waigel, the German finance minister, has been left severely weakened by the hurried moves towards settlement of his government's dispute with the Bundesbank over the revaluation of its gold reserves, economists said yesterday. The moves may have kept Europe's singla currency on track they said, but at what cost to Mr Waigel's reputa-

Under the deal between the government and the central bank, the revaluation of gold reserves will still take place but proceeds will not be transferred to Bonn until next year. Details of how the weeks ago to press his con-budget gap will be filled and troversial gold revaluation previously promised. The ation plan met the terms

the criteria for European monetary union met have vet to be worked out.

"This is a double whammy for Mr Waigel," said Mr Stefan Schneider, Frankfurtbased economist at Paribas Capital markets. "Not only does he not get the money for the 1997 budget, but he has lost credibility in a big

gel's attack on the Bundesbank shows a 100 per cent commitment by the government to Emp. If he is prepared to sacrifice his credibility, lt shows how important this is."

But be added: "Mr Wai-

With the German public already sceptical about Emu. Mr Waigel's helicopter dash to the Bundesbank two

plan has certainly not made the euro more palatable. "It was a miscalculation and he has had to take a few blows to get out of the situation," said Mr Thomas Mayer, chief German economist at Gold-

man Sachs in Frankfurt. "It is a policy of trial and error," he added. He thought the government would not be able to find enough money this year for Germany to be able to meet the hudget criteria for Emn, under which the deficit has to be within 3 per cent of gross domestic product or

moving towards that level. Mr Mayer also said the message from the gold revaluation episode and the French election, was that Emu would start with a less

European central bank of the Maastricht treaty.
would have to counter this Officials acknowledged would have to counter this by tighter monetary policies. Speaking before the outlinas of a settlement

emerged, Mr Edgar Meister, a Bundesbank director, warned financial markets not to assume prematurely that Emn would start on time in 1999. "The way towards European monetary union is proving more stony for several countries including Germany - than was assumed.

The European Commission breathed a sigh of relief at the end of the German standoff. Without a deal, the Commission and Eurostat, its independent statistical arm, would have faced the delicate task of passing judg-

that the gold compromise would not end the volatile domestic debate in Germany where three quarters of the public are sceptical about

giving up their D-Marks. Another unknown is how the French Socialist victory will affect the Emu project. The chief worry in Brussels is the Socialists may try to unpick the accord reached last December between the French and German governments on budget discipline.

During the election cam-paign, the Socialists criticised the pact as too rigid, especially the proposed fines on countries breaching the deficit ceiling of 3 per cent of gross domestic product.

Editorial Comment, Page 11

# Communists ready to take part in Jospin government

By David Owen in Paris

France looked last night to be on the verge of getting its first communist ministers in more than a decade after Mr Robert Hue, national secretary, proposed that his party take part in Mr Lionel Jospin's new Socialist-led government. The move the government will adopt a more sceptical line on Europe.

The two largest of the other leftwing parties, the Eurosceptic Citizens' Movement and the Radical Socialists, also said last night that they were ready to take part in Mr Jospin's government. The cabinet line-up will be announced today.

On the right, the jostling for power in the defeated RPR/UDF alliance intensified with several senior RPR members urging Mr Alain Juppe, the ousted prime minister, to stand down as party president and Mr Raymond Barre, a former prime minister, urging President Jacques Chirac to "pay the price".

Mr Juppe later announced an extraordinary meeting of the RPR to elect a new president "as soon as possible". He also announced the appointment of Mr Jean-Louis Debré, the former interior minister. as interim secretary-general of the

This jockeying for position was is likely to reinforce concerns that mirrored in the ranks of the UDF. where Mr Gilles de Robien resigned as the president of the party's group in the National Assembly to prevent its "balkanisation". Mr de Robien looks set to be succeeded by Mr François Bayrou, the former educa-tion minister. Mr Bayrou had been thought keen to establish a separate centrist group in the new parlia-

The new prime minister's entourage let it be known that he planned to accompany Mr Chirac to important forthcoming international meetings, including the European Union summit in Amsterdam on June 16-17 and the Group of Seven summit in Denver on June 20-22.



Alain Juppé waves to staff after handing over to Lionel Jospin (left)

As business leaders waited anxiously for clear indications of the new government's stance on the main economic issues, Ms Nicole Notat, moderate leader of the CFDT improve the prospects of the sale at trade union, defended the planned a relatively early date.

float of a minority stake in France Télécom, saying it was not "incompatible" with the "real missions of public service". Her comments may

# German row grows over Sweden says No status of Landesbanks

By Andrew Fisher

Germany's private sector banks vesterday took a more aggressive line in their dispute with their public sector counterparts, accusing them of political blackmail in linking the preservation of their competitive status to their support for the planned European single currency.

Mr Manfred Weber, director of the German banking association - representing 300 banks, including Dentsche Bank, Dresdner Bank and Commerzhank - also criticised the government for apparently bowing to pressure from public sector banks by seeking to have their state-backed guarantee status written into the Euro-

pean Union treaty. This follows the government's submission of an amendment to the intergov ernmental conference (IGC) on EU treaty changes which reaches a conclusion at this month's Amsterdam summit. This seeks to write into the treaty the guarantee status of Landesbanks, which provide financial services to the regional states (Länder) and savings banks.

Mr Weber accused the govabout the amendment. "This is all happening behind the

Mr Jan Mojto, managing director of the Kirch group, the German private broadcaster, yesterday condemned a proposal to exempt public service broadcasters from European competition rules, saying the move would squeeze commercial television and put thousands of access to unlimited jobs at risk, Emma Tucker resources," said Mr Mojto,

reports from Brussels. The draft protocol, tabled by the Belgian government, will be presented for inclusion in the EU's founding treaty, due to be revised at the Amsterdam summit in two weeks.

It would allow governments to provide public broadcasters with unlimited funding even if this resulted in a competitive

Commercial broadcasters unanimously by the 15 fear their publicly owned member states.

scenes." He said other EU is the high credit ratings governments and foreign awarded to public sector Germany's attempt to enshrine public sector bank status and privileges in European law.

"Such an attempt at politi- ing agency, said if the ernment of keeping quiet integration process would be field in Europe".

banks were also alarmed at banks because of their guar-

cal blackmail should not amendment succeeded, "it bear fruit," Mr Weber said. would be a tremendons blow "Otherwise, the European

At the root of the dispute Page 14

# to first wave of **'uncertain' Emu**

By Greg Mctvor

Sweden's ruling Social Democratic government yesterday excluded the country's participation in the first wave of the proposed 1999, declaring the project 'very uncertain" and lack-

ing in public support. The announcement, by the SDP's national executive committee, confirmed months of speculation.

The prime minister, Mr Göran Persson, stressed, however, that the decision to delay "did not close the door forever" on Swedish partici-

pation in Emu. Were circumstances to change, he said, Sweden could consider joining after

the next general election, due in September next Mr Persson committed the SDP to bolding a general election or referendum on

Emu were it to decide at a future date to recommend Swedish entry. By holding open the possibility of Emu entry before ease once Sweden's ecothe 2002 general election, the nomic recovery took root

softer than analysts had

expected. The bond market had closed when the announcement came but the Stockholm bourse rose 0.6 per cent in late trading and the krona strengthened against the D-Mark.

Economists said the deci-European single currency in sion gave the government room for manoeuvre should public opinion soften. However, a rigorous fiscal regime would be required to enable Sweden to stand on the side-

Mr Göran Jonsson, leader of the big Metall industrial workers' union and a member of the SDP national executive, said the decision opened the chance for Sweden to join before 2002. But the Federation of Swedish Industries called the outcome "extremely regrettable", saying it would create uncertainty and damage the

economy. Mr Persson said he took fears that Sweden might be penalised by financial markets for staying out "with a pinch of salt".

Mr Persson predicted public antipathy to Emu would Bank Austria privatisation, SDP's No was somewhat and unemployment - currently at record levels - fell.

EUROPEAN NEWS DIGEST

# Germany fines cable makers

The German cartel office yesterday fined 14 manufacturers of high voltage cables DM265m (\$155m) for illegal price-fixing and market manipulation. The cartel office said the companies, led by Siemens, had established a "wide-ranging hierarchically structured organisation" to fix market share and prices within the industry. It said the economic damage was incalculable as the cartel system had been in operation since 1902 and therefore no comparisons could be made to a non-rigged market. The fine, the highest handed out by the cartel office, represents some 10 per cent of the sales of the bigger high voltage cable manufacturers. Siemens was fined DM58.6m. The overall burden on the Munich-based company, however, will be higher as one of its subsidiaries, the east German company Bergmann Kabel

und Leitungen, was fined DM30m. Other companies fined include Kabel Rheytt, Felten & Guilleaume Energietechnik and ABB Kabel und Draht. The cartel office is still investigating two smaller companies - KWO Kabel, a Berlin-based subsidiary of BICC, and Waskönig + Walter. Siemens said it had ecided not to appeal against the decision.

Separately, the cartel office said it was investigating claims of uncompetitive behaviour in the cable television sector by Deutsche Telekom, the partially privatised Frederick Stüdemann, Berlin telecoms company.

### Italy unveils draft euro law

Italy, confident it will be among the first countries to adopt the European single currency, unveiled a draft law yesterday covering the introduction of the euro and said it would convert its debt mountain into the new money.

"This is not just a formal thing but also a iemonstration that we are going forward - it means we are beginning the operational aspects," said Mr Romano Prodi, the prime minister, after his cabinet had approved

The draft law must be ratified by both houses of parliament, but little opposition to the package is unlikely since most Italian parties are in favour of European economic and monetary union (Emu).

A 11111

Mr Carlo Azeglio Ciampi, treasury minister, said the government would convert all its negotiable public debt into euros from January 1 1999. "This will favour the creation of a critical mass in euros on the markets which will give assurances and will increase the credibility of the system."

Belgium, France, Austria and Spain have already said they will convert their outstanding debt into the euro, while there is still some uncertainty over Germany's

# Hungary sees rise in jobs

First quarter figures showing an increase of 10,000 (0.3 per cent) in the number of people employed means a 10-year trend has been reversed, Mr Peter Kiss, Hungary's labour

minister, said yesterday.

Quoting Central Statistical Office figures, due to be published today, he said increases in employment now paralleled improvements in the economy. In a population of 3.6m, registered jobless figures fell 10,500 in May to 471,800, an improvement of 18,000 on the same month last year. Most jobs created were in the services sector. CSO figures put the rate of unemployment at 9.4 per cent, 1.5 per cent below the EU average, Mr Kiss said. Support worth Ft30hn (\$160m) would be made available for further

roduction which shows a 6 to 7 per cent increase in the first quarter, said Mr Gabor Oblath research director at Kopint Datorg, a Budapest based research company. "It's an indication of a turnaround. I don't know if domestic sales have risen, or whether it's just from

exports." he said.

Portuguese cement sales up Cement sales in Portugal are estimated to have risen by 22.5 per cent in the first quarter of this year compared with the same period in 1996. The rise emphasises the strength of the country's construction market, which has been bolstered by spending of EU structural funds on

infrastructure. The Association of Construction and Public Works Companies estimated that 850,000 tonnes of cement were sold in April 23 per cent more than in the same month Andrew Taylor, London

# Pope blesses EU ambitions



Pope John Paul II vesterday backed the claims of all the ten ... central European countries for European Union membership, He told central European leaders: "Europeans should co-operate and groupings which are currently being formed should not exclude any country even the weakest." The call was delivered in Gnjezno in Poland at a meeting with the presidents of Germany, the Czech and Slovak republics, Hungary, Poland and Lithuania, all of which have applied

lu wide

to join the EU. Also present was President Leonid Kuchma of Ukraine which appears determined to forge close political links with the central European region to balance relations Christopher Bobinski, Warsay with Russia.

# Irish election brings the independents into focus

Main parties' concern is seen in warnings of instability, writes John Murray Brown m Ireland of a hung parliament is concer trating minds as Mr John warned of the dangers of 40 per cent in one west of first preference candidate is Ireland. At one stage, the Bruton, the prime minister. political instability.

competitors would use the

freedom to cross-subsidise

new activities, such as digi

tal television and "online"

"The commercial broad

casters would have to com-

pete with a public system

which could in theory have

speaking on behalf of the

The plans already bave

Association of Commercial

the backing of a majority of

member states, including

Germany. However, some

countries, including Fin-land, the UK and Spain,

bave donbts and may put

To become an integral

part of EU law the protocol

would have to be supported

Mr Robin Monro-Davies

managing director of IBCA, the London-based credit rat-

to the idea of a level playing

forward amendments.

antee status.

and his main rival, Mr Bertie Ahern, Fianna Fail leader, prepare for Friday's general The possibility that neither prospective alliance the outgoing coalition of Mr provide a telling measure Bruton's Fine Gael, Labour of the disaffection with the pendents. and Democratic Left (DL), political system. This is pronor the Fianna Fail-Progresnounced among young votsive Democrat (PD) team ers and in rural Ireland, will have the necessary 83 where much of the grievance seats to form a government, has turned attention to the fisheries and farm policies.

> seen such alienation from the traditional party system since the 1940s.

Dr Garret Fitzgerald, the

former Fine Gael prime min-

ister, says Ireland has not

Ireland constituency - will The 200-odd independents translate directly into seats - Greens, republicans and a in the 166-member parliavariety of sometimes eccen- ment under Ireland's proportric single-issue candidates tional representation system. from the Catholic right to But opinion polls have the Legalise Marijuana party tended to underestimate decisive in shaping the new actual votes cast for inde-

Dr Fitzgerald predicts they could pick up 10 seats in the new Dail, which if the result is as close as polls suggest, is targeted at Brussels over would make them the kingmakers in any new govern-

Mr Richard Sinnott, professor of political science at University College, Dublin, points out that many of the Independent votes will Few analysts believe the return to the main parties independents' current rating under the system of trans-- 16 per cent nationally and fers, whereby when a voter's British TV to the west of

eliminated, his vote is trans- so-called deflector lobby had ferred to the second choice. But even if the independents fail to make the breakthrough some are forecasting, the transfers could be

government. Ireland has had its maverick issues before: whether it was the trout rod licence even if the government's controversy in the late 1980s or the pot-hole candidates of earlier elections.

In the run up to calling an election. Mr Bruton shrewdly neutralised two of the most contentions local issues. In a populist move, transfers, though party stratthe government offered to review the position of operators of unlicensed transmission stations broadcasting

threatened to stand candidates.

Separately, the local government finance bill, passed in the same week Mr Bruton announced the election date, silenced those calling for rural water charges. Mr Ahern has said that

majority depends on it, he has ruled out bringing Sinn Fein, the IRA's political wing, into his coalition in the event of an inconclusive result. Fianna Fail is keen not to alienate potential PD egists expect Sinn Fein will be a source of key transfer votes in a number of border

constituencies. In the outgoing Dail, there

suggest the Greens could secure as many as three aghan at the expense of Fianna Fail.

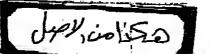
The threat posed by independents is potentially greatest for Mr Ahern, as the bulk are disaffected former Fianna Fail officials.

Some of the independent vote will return to Flanno Fail on subsequent counts. Prof Sinnott says: "In the past, independent transfers have tended to go anywhere but Flanna Fail". The government can expect to pick up Green transfers, while Labour and DL will benefit from some urban-based leftwing candidates.

in constituencies where its sitting MPs are retiring lt has nine outgoing MPs who including one Green. Polls are not contesting the election, against three for Fine Gael and three for Labour. seats this time, and Sinn In four of those seats, Fein may take Cavan-Mon- Fianna Fail is under threat from an independent. But given the parochial nature of some of these contests, it is difficult to see how independents will fare nationally.

in Tipperary North, Mr Michael Lowry, the former Fine Gael minister now standing as an independent looks set to top the poll, don bling his vote. It seems that such is the

continuing acrimony between the main centre right parties in rural ireland, that Fianna Fail supporter are ready to vote for Mr Lowry merely to spite the official Fine Gael candidate



independents, whom some

see holding the balance of

Minority governments

have fared reasonably well

in the past, but it is an indi-

cation of the main parties'

concern, that both Mr Bru-

ton and Mr Ahern this week



# Bulgarian budget

and Richard Adams

Bulgaria's hopes for a rapid Lv16,150hn (\$10hn) hudget strengthening of its economy Were bolstered yesterday by International Monetary Fund approval of the country's 1997 budget framework. which will be submitted to parliament shortly.

The Bulgarian government also announced yesterday that it wanted to anchor the lev, the national currency, to the German D-Mark at a fixed exchange rate of Lv1,000 from the start of

The IMF has agreed with budget deficit of 6.2 per cent of gross domestic product as part of the deal to back a currency board monetary system, according to Mrs Ann McGuirk, IMF mission leader. This is higher than the 3.8 per cent target set initially by the Fund, but Mr Muravei Radev, finance minister, explained that this was the only achievable balance between budget expenses

still experiencing a decline minister, said yesterday that in industrial production," Mr Radev said. Revenues in the are estimated at 27.3 per cent of gross domestic product, and expenditures at 33.5 per cent. Revenues from privatisation are expected to cover

As soon as the IMF board approves the review mission's report, a tranche of \$130m is expected to be released from the \$658m loan package sanctioned by the board last March.

3.6 per cent of the deficit.

The issuance department of the central bank, which will assume the functions of the currency board management, will therefore have around \$1bn in foreign exchange reserves by July 1. when the tight monetary system is introduced.

Under the currency board, money supply will be tied to Lv1,000 level against the the level of foreign exchange reserves. The system will deprive the government of the power to subsidise the budget or bail out loss-mak-

the government's proposal to peg the lev to the D-Mark at Lv1,000 would be included in the central bank bill which has to be adopted by parliament this month as part of a package of laws needed for the introduction of the new monetary regime.

Emerging market currency analysts in London said the lev had appreciated recently against the D-Mark and the US dollar, the denominations that account for about 50 per cent of Bulgarian foreign-denominated trade. Yesterday the currency was trading at around Lv950 per D-Mark, and around Lv1500 against the dollar.

However, in March the IMF had envisaged a lower value for the lev against the dollar - Lv2,000. Some London analysts think the D-Mark is too strong, since the German currency is likely to rise against the dollar, forcing the lev and the Bulgarian trade deficit up

# Russia moves to unify markets supervision

By John Thornhill

Russia's Federal Securities Commission yesterday welcomed government moves to overhaul the supervisory regime for the country's unruly capital markets, saying they would lead to clearer and more effective regulation.

But industry observers suggested the commission had lost out to the central bank in a battle to shape the course of Russian capitalism. Russia's commercial banks were now likely to play an even more influential role in

the economy.
Mr Alexander Kolesnikov. deputy chairman of the securities commission, said the decision to unify the regulatory regime for both debt and equity markets would .

**UK** will

Rühe on

Mr George Robertson, the UK defence secretary, will today urge his German counterpart, Mr Volker Rühe, to

maintain funding for the Eurofighter project as an important part of the conti-nent's industrial base.

"I hope to get over the message that an early decision is critical for the suc-

cess of the project," the UK minister said in Washington, where he held talks at the Pentagoo on European secu-rity and US-UK defence

"We are committed to this

aircraft, not just as a mili-

tary project, but also because it involves a large

amount of the civilian

defence industry," said Mr

Robertson, referring to the four-nation effort in which

up to 150,000 jobs are at

stake. A budget squeeze in

Bonn has left the project

short of funds to set up pro-

duction lines. Unless a solu-

tion is found, Daimler-Benz

out of money to pay subcon-

due for repayment in 2000.

Mr Rühe has also offered to

transfer to the Eurofighter

funds due to be spent on

npgrading tanks, armoured

On other European security issues. Mr Robertson

confirmed the first wave of

Nato enlargement would

probably embrace only three

countries - Poland, the

Czech republic and Hungary. While absorbing Slovenia

"would not disturb" Nato

excessively, it appeared that

Romania "might be too

cars and munitions.

fighter

By Bruce Clark in Washington

press

more rigorous scrutiny of lic-

dures in both markets. Previously, the central bank had primary responsibility for regulating the gov-ernment debt market while the Federal Securities Commission monitored the equity market.

But these split responsibilities led to frequent and furious turf wars between the two agencies.

Mr Anatoly Chubais, first deputy prime minister, said the main task of the state regulators would be to defend shareholder rights and to enable privatised companies to issus shares and bonds. They would also encourage the creation of common registry, custodial, and dealing systems for both the debt and equity markets,

he said.

"Waterloo" for Mr Dmitry ensing and trading proce- Vasiliev, the chairman of the securities commission, who had tried to build up Russia's capital markets along

Anglo-Saxon lines. With the help of foreign experts from the Harvard Institute for International Development, a US-sponsored advisory group, Mr Vasiliev had encouraged the development of an open stock market and a mutual

fund industry. But Mr Chubais, who had previously strongly backed Mr Vasiliev's commission, now appears to have heeded the pleas of the banking lobby, which was highly critical of Mr Vasiliev.

Investors broadly welcomed the regulatory changes, hoping It would stimulate the development of the market infrastructure commission to combine their newspaper described the rows between the central strengths. This would lead to government's move as a bank and the commission.



From left: Paul Volcker, Edgar Bronfman and Avraham

# Volcker probe to widen scope

and William Hall in Zurich

The Volcker Commission, set up by Swiss banks and Jewish groups to investigate dormant bank accounts of Holocaust victims, has been expanded to oversee the development of a claims adjudication process in an attempt to speed the recovery of funds still held by Swiss banks.

The decision is a snub for Mr Hanspeter Hāni, the Swiss banking ombudsman, Aerospace, the Gsrman who until now has been the industrial partner, could run sole mediator in disputes between Swiss banks and their customers. When con-Under one short-term solucerns over dormant bank tion, Daimler-Benz would be accounts first surfaced last allowed to transfer to its Eurofighter account DM250m (\$146.5m) in credits year, he was designated as the main contact point for people searching for dorwhich it received from the German government to help mant bank accounts which launch Airbus and which are they believe are beld by

Swiss banks. The commission's decision to expand its role coincided with the announcement in Jerusalem yesterday that its investigators would be entering Swiss banks to conduct pilot andits and document be far more lax than the curretention audits "within a

matter of days". The work of the commis sion, headed by Mr Paul Volcker, former US Federal Reserve chairman, had been delayed for several months because the accountants hired for the investigation since it set up an informawanted insurance cover tion centre last December.

those disputing their find-

ngs. The first five Swiss banks in the pilot audits are Credit Suisse, Swiss Bank Corporation, Spar und Leihkasse Berne, Banque Can-tonale Vaodoise and Pictet & Cie. in addition, the commission said it would conduct document retention audits focusing on five more banks: Banque Baumann, Banque Cantonale de Geneve, Bank Julius Baer, St. Gallische Kantonalbank and Union Bank of Switzerland.

UBS was heavily criticised after it was disclosed that it hroke a Swiss government ban on shredding historical documents. However, Mr Volcker pointed out that these particular banks were not chosen out of suspicion. but rather as representative

The Swiss Bankers Association had no comment on the plan to take over part of the work of the Swiss banking ombudsman. However. the proposed claims settlement procedure appears to rent regime operated by the

Swiss banks. Mr Avraham Hirschson, chairman of the Israeli Knesset restitution committee, said his committee had received 7,000 letters from potential claimants in Israel

# IMF approval for |Serbs fed up with cash crunch

Serbia: tight, loose, tight again

Guy Dinmore on discontent at the government's tight monetary policy

A umbrella and shopping bag, Mrs Lierka Janjic marches resolutely in the rain through Belgrade. Her fellow demonstrators hold banners demanding "Don't lia to us any more and "Keep your promises". After a winter of pro-democracy protests Serbia now faces a summer of discontent as the government struggles to find cash to pay its work-

force. Mrs Janjic, a teacher for 40 years, was one of some 2,000 pensioners who rallied last week to demand their pensions. They are still waiting for March payments. Health workers and some teachers have been on strike throughout Serbia for three weeks. Wages for doctors and nurses are two months

in arrears and bospitals have exhausted their funds. Patients bring their own sheets, medicines and food. Even when she does get her salary, Dr Natasha Riznic. a radiologist at Belgrade'e KBC hospital, says 1,600 dinars (\$270) a month keeps her family going for just a week. Doctors sell cigarettes in the streets to supplement their incomes. Unemployment is running at about 30

Money is so scarce throughout Serbia that even black market traders are nies are resorting to barter to meet their payments. One businessman said he accepted payment in the form of a lorry-load of fresh

The scarcity is a far cry from the crisis of the early 1990s when inflation ran into trillions of per cent and Serbia was awash with

tor workers and pensioners. The dinar immediately nosestick to a tough monetary policy. Money in circulation. dived on the black market in and short-term deposits, M1. some parts of the country by actually fell by 200m dinars 40 per cent to 5.0 to the to 5.3bn in the first quarter. D-mark. The government's "A fall in money supply is inflation target for 1996 was almost unheard of," said Mr zero but prices ended 60 per

Pavle Petrovic, a professor of

economics and researcher at .

research and consultancy

The authorities, he said,

took fright after the central

bank printed a modest

amount of unbacked dinars

cent up on the year. Since the start of the year Cesmecon. a private the dinar has climbed its way back up to 3.5 to the D-mark, close to its official rate of 3.3. Inflation has tum-

"It's an important achievement. This is the right envi-

See us at Telebusiness 1997, 3-5 June, Wembley Exhibition Centre, Stand 566.

Petrovic. Serbia could begin to hope to attract short-term credits, he added. The government's room

for manoeuvre is constrained by a fiscal deficit of 3.4 per cent of gross domestic product and a balance of level reached in 1989, while payments deficit that reached 8 per cent of GDP last year.

Unlike other governments, Serbia is unable to raise money on the domestic market as investor confidence is almost non-existent. Access

blocked by polifical conditions attached by the European Union and the US on its re-entry into the International Monetary Fund. .

Prof Petrovic noted that industrial production in the first quarter of this year was 3 per cent less than in the last quarter of 1996, and if the current trend persists then the growth rate for 1997 will be zero.

"It seems a kind of reces sion is coming out of this tough monetary policy," he

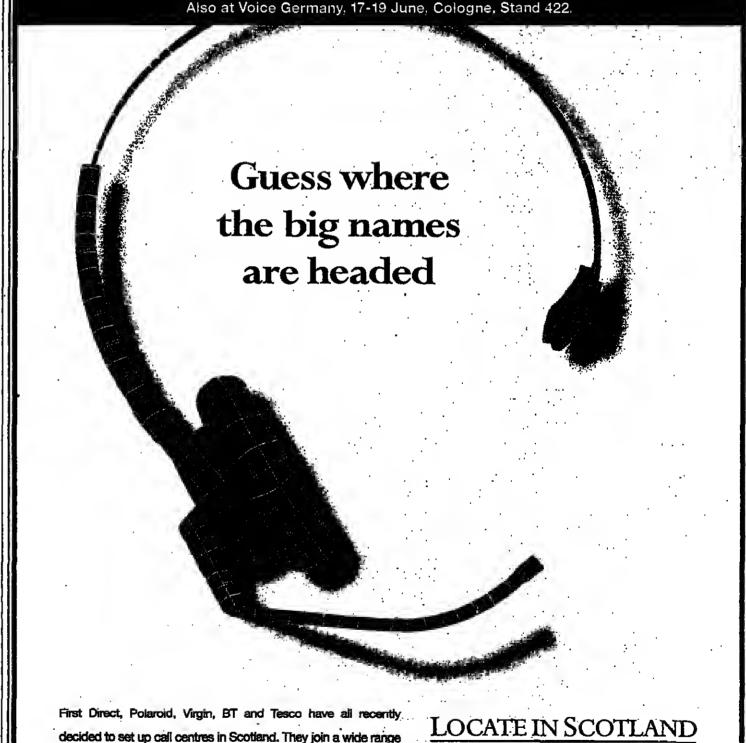
Serbia faces parliamentary and presidential elections by the end of the year and analyats expect the ruling Socialist coalition will eventually loosen money supply and try to appease an angry electorate by meeting back payments of wages and pen-

"It's very common in this part of the world to give excess wages at times of elections," Mrs Danica Popovic, an economist com-

She said Mr Slobodan Milosevic, the Serbian president, was pursuing a tight monetary policy to stabilise the dinar as a "symbol" of economic progress but had no overall strategy of reforms such as privatisation or closure of loss-making state enterprises.

 Serbia's industrial output is about 40 per cent of the capacity utilisation is 36 per

"We now have a stable currency without growth. It's a typical recession. The real unemployment rate is over 50 per cent," Mrs

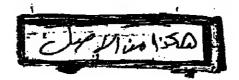


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# Nigerian military retires hurt Global banks

Botched intervention in Sierra Leone has left the army regime morally exposed

ilitary officials in Nigeria closed ranks last night after Monday's botched effort to intervene in in Sierra Leone in which soldiers from one of Africa'a largest and richest nations were forced to withdraw under fire from fighters of one its smallest and poorest.

Speaking from exile in the Guinean capital, Conakry, Mr Ahmad Tejan Kabbah, Sierra Leone's deposed president told the BBC's African Service that be had invited Nigeria to take military action to overturn an army coup 10 days ago. There is complete anar-

chy in the country at the moment," he said. "Somebody needs to restore law and order there."

Despite many nods and winks from western powers and anxious appeals from Sierra Leonean dinlomats. Nigeria had no mandate from elther the United Nations, or from the Organisation of African Unity

While no official explana tion has been given for the intervention, Mr Tom Ikimi. Nigeria's foreign minister, said at the weekend that his country had been prepared to work with its neighbours in taking "appropriate measures" to help restore Mr Kabbah'a elected govern-

Bundu, a former executive secretary of the Economic

Mr Ebnd Barak was last

night poised to become bead

of Israel's Labour party,

marking the departure from

political life of Labour's pre-

About 167,000 Labour

members were voting across

the country in a four-

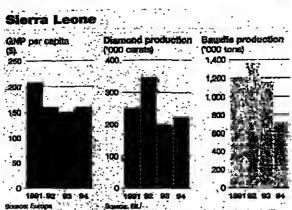
cornered contest which be

was favourite to win. His

main rival is Mr Yossi Bei-

war generation of leaders.

By Judy Dempsey



Few recognise any irony in the restoration of democracy in Sierra Leone by a regime which came to power after the army annulled elections

Community of West African States (Ecowas), has insisted that the sub-regional grouping at present chaired by Nigeria has no mechanism to allow for such action. He described Monday's events as "totally unwarranted and unjustified".

the new alliance between government troops and former rebels which has been forged since the coup. How strategic planners could bave as miscalculated the situation is now as much a matter for speculation as would have shown the world

been anxious to alert its own people to the dangers involved in allowing security to be challenged at a time of rising frustration over the manner in which the country'a latest effort at transition to civilian rule is being handled and continuing economic decline. The Provisional Ruling Council will certainly have been keen to impress on junior officers and below the dangers

involved in failure are immense. "Nigeria now has

shift the party's political pro-

the ultra-Orthodox commu-

be very hard not to press ahead," one defence attache in Lagos noted. "But exactly what they hope to achieve and how long it might take is harder to predict." In 1990, General Ihrahim

Babangida, Nigeria's previous military ruler, led a multinational regional force into Liberia to try to end chaos and civil strife there. That force remains in place today, and is only now close to realising its mission to help restore constitutional goverment

Slerra Leone's internal problems are at least as complex. While the elections which brought Mr Kabbah to power were widely regarded as free and fair, his government failed to arrest the decline of an economy blessed with a wealth of natural resources but now among the poorest in the world. He proved incapable of dealing with dissent within the military which accused him of ethnic blas, and of failing to deliver a genuine peace to end a brutal six-year civil war. Both army and rebels

accused him of using traditional hunters, the Kamajors, as a personal militia.
"Sierra Leone is a mess, said one diplomat in Lagos. They didn't seem to have their answers to their problems, and nor do we. But if Nigeria wants to try, wa

# set up plan for self-regulation

By George Graham in Interlaken

Leading international banks are planning to set up a new system of global self-regulation to cut through the maze of national banking regula-

The Group of 30, a Washington-based think-tank grouping banks, academics and government officials, is to recommend the creation of a standing committee to set standards for evaluating the risk management procedures and internal controls of global financial institu-

Mr John Heimann, chair man of global financial institutions at Merrill Lynch, the US-based investment bank, said the G30 working party had concluded that there was "an inherent contradiction in national aupervision of global firms and global markets".

"More effective global supervision is needed, but the creation of a supranational supervisory body is naither realistic nor desirable," Mr Heimann said after presenting the G30 conclusions yesterday to a meeting of senior bakers in the Swiss resort of Interlaken.

The standing committee Antony Goldman | proposed by the G30 could

### deep cut in fishing subsidies establish a benchmark for By Frances Williams the financial industry. Banks which failed to com

ply with its standards could

be penalised by being asked

to put up more collateral in

interbank dealinga, for

The G30 has had previous

successes, anch as the estab-

lishment of industry stan-

dards for the disclosure of

financial derivatives activ-

Banking and accurities

supervisors have been strug-

gling to work more closely

in the wake of financial

disasters auch as the col-

lapse of Barings, which cut

across national and industry

The seven leading indus-

trial nations have been

looking for ways of improv-

ing global financial regula-

tion, and their leaders will

discuss the issue again at

this year's world economic

Private sector institutions

fear that efforts to agree

binding international stan-

would result in delay, inflex-

"Overly dense regulation

dards among regulators

lbity and ineffective rules.

makes things worse by creat-

ing an illusion of security

that does not exist." said Mr

Ulrich Cartellieri, a board

member of Deutsche Bank.

summit in Denver.

boundaries.

Environmental groups yesterday called for urgent international action to slash fishing subsidies worth more than \$50bn a year that have encouraged overfishing and the catastrophic depletion of world stocks.

Call for

A meeting in Geneva hosted by the United Nations Environment Programme and the Swiss-based World Wide Fund for Nature singled out subsidies to fleets in distant waters, a criticism aimed chiefly at the \$230m a year apent by the European Union in subsidising fishing off the coast of Africa.

According to the UN Food and Agriculture Organisation, marine fish catches have fallen since 1989, following a five-fold increase after the end of the second world war.

Many fish species are on the verge of extinction.

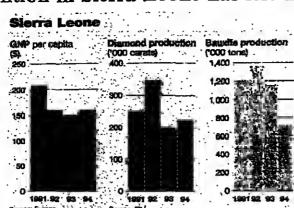
# **Swiss find** Mobutu money

By William Hall in Zurich

The Swiss banks have found SFr4.8m (\$3.4m) of assets belonging to former Zaircan president Mobutu Sese Seko and his family. The Swiss Banking Commission said six banks had reported having Mobutu-related accounts.

Switzerland, whose bank secrecy laws have often been used to hide dictators' illicit fortunes, has been accused of barbouring up to \$11bn of

Mobutu assets Switzerland froze all of Mr Mobutu's bank accounts on May 17 and blocked the sale of his luxury villa at Savigny, overlooking Lake



James Jonah, Slerra Leone's

UN envoy: coup to end soon

Nigeria began a naval bombardment which quickly in Sierra Leone by a Nigerexposed the vulnerability of its troops on the ground to

what Nigeria will do next "A swift, clean operation domestic problems.

Shlomo Ben-Ami, 53, an aca-

demic and the only candi-

date with a Sephardic or

North African background,

and Mr Ephraim Sneh, 52, a

physician and former health

All four are vying to suc-

ceed Mr Shimon Peres, 73.

who took over the leadership

- and the post of prime min-

ister - following the assassi-

nation of Mr Yitzhak Rabin

by an Orthodox Jew in

lin, 48, a former minister and November, 1995. Mr Peres,

one of the architects of the last of the party's leaders

of what we are capable," one defence official said. "We could have eased this talk of sanctions and presented ourselves again as the friends of western interests". Few in government, how-

ever, recognise any irony in the restoration of democracy ian regime which itself came to power after the army annulled elections in 1993. Nor have officials squared western powers' allagad a coup. interference in the country's internal affairs with the now robust involvement of the head of state, General Sani Abacha, in Slerra Leone's

win an election as leader,

was defeated in the general

electioo a year ago which

brought Mr Benjamin Netan-

have already carved out his

strategy in his determina-

tion to unseat Mr Netan-

yahu, declaring bimself

committed to take calcu-

lated risks in the Middle

East in order to achieve

While seeking to don Mr

Mr Barak, 55, appears to

yahu to power.

their persistent criticism of involved in trying to mount But while the prospect of easy success had its many attractions, the risks

wish them good luck." so much at stake that it will

New generation takes Labour helm in Israel other contenders are Mr of the modern state of Israel the commitment to the peace the Likud party because do with Har Homa, the new and who never managed to process, he is also aiming to they believed the peace pro-

cess was going too fast.

"Barak knows what he has "We have to broaden our to do." another aide said. support," a Barak aide said. "And he knows how to do We have much catching up it." As former chief of gendo in trying to win over eral staff, he is often called some of the Orthodox vote "Mr Security", emphasising as well as the working his credentials that he would class." Both sectors of socinot be soft on terrorism and ety backed Mr Netanyahu in stressing his good connecthe 1996 election on promises tions with the military and Intelligence, aomething of peace with security, more prosperity and support for which Mr Netanyahu lacks.

Nor would he be soft on nities. Above all, they the issue of Jerusalem.

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Jewish settlement which the Israeli government decided to build in March and which led to peace talks with the Palestinians being suspended, be responded: "I would have done things differently. He said he would first

have built lots of Arab housing in east Jerusalem in order to counter intarnational opposition. But he would not say if he would stop building at Har Homa were be suddenly to be elected prime minister.

GIO and the stand Lond

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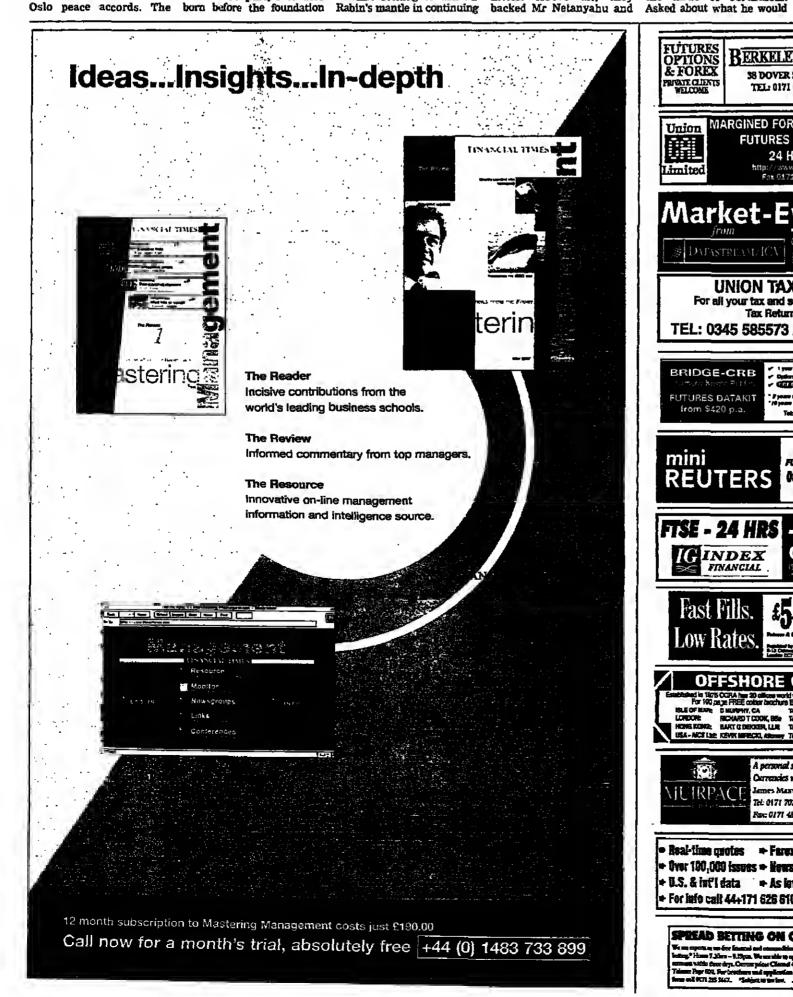
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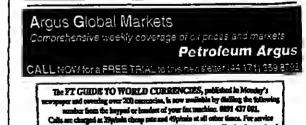
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**Ehod Barak: aiming to** broaden party support







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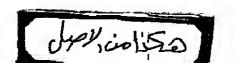




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# SKF targets Japan with new bearing

By Peter Marsh in London

SKF of Sweden, the world's biggest maker of industrial rolling bearings, is aiming to boost its share of the Japanese market with the launch of a new type of bearing. The Carb, or compact allgning rollor bearing, is being promoted by the company as the most important innovation in the industry

for 40 years The Carb is claimed to enable industrial machines to run 15 per cent more quickly than conventional systems. This would boost factory efficiency significantly, as well as allowing cars to travel further for the same amount of fuel as a result of smoother running

SKF thinks its Carb system should appeal in particular to machinery users in Japan, where it has just I per cent of the bearings mar-ket compared with a third share in Europe.

Rolling or anti-friction bearings are the workhorses of industry. About 10bn are turned out every year, for incorporation in just about every machine that uses jects involving Carh, he rotary action.

The average car contains about 100 bearings, which typically comprise a pair of could eventually be." steel rings separated either by balls or rollers to permit smooth circular motion.

The Carb, which is just entering full-scale production in SKF plants, is based on specially shaped rollers and other parts which can move against each other in a in and out of alignment without grinding to a halt.

As a result, the bearings can handle heavy loads in difficult conditions such as a high degree of vibration.

SKF is talking to large Jananese Industrial companics, including automotive components company Denso (formerly Nippondenso) and the machinery arms of Sumi- mately need replacing.

tomo and Mitsubishi, about incorporating Carb systems

into their products. Mr Peter Augustsson. SKF's chief executive, said that a priority for the company was to increase its market position in Japan which accounts for roughly a fifth of world sales totalling \$20bn a year.

NSK and NTN, the two Japanese companies which are second and third to the Swedish company in the world hearing husiness. between them account for roughly 60 per cent of annual sales in Japan. Mr Augustsson believed

that by the end of next year

Carb was likely to account for about 1 per cent of the

The Carb is claimed to boost speed of machinery

company's sales of SKr33bn (\$4.3bn) a year, but expected this to grow hy early next century to over 10 per cent. SKF was involved in "hundreds" of development pro-

added. "We are talking to lots of people but we don't know how hig the market One steel-casting machine m which SKF had installed the device had been working flat-out for eight months without replacement, Under normal circumstances, bear

replaced every two months. The Carb has already been "forgiving" manner, easing tried out extensively in paper-making machinery, making possible speeds more than 10 per cent higher than normal. Carmakers are also interested in incorporating

them in gearboxes. SKF believes the ultimate market for the Carb could be vast, given that the world contains an estimated 100bn bearings and all will ulti-

### **NEWS: WORLD TRADE**

New global network will detect and act against unauthorised manufacturers and distributors

# Music industry cracks down on piracy

By Alice Rawsthorn

crack down on piracy by creating a global anti-piracy network responsible for national trade associations detecting and taking action to co-ordinate activities against the manufacturers and distributors of unauthorised recordings.

body representing the states, where piracy is so rife world's record companies. that a dedicated regional

It will be led by the IFPI's director is required. first anti-piracy director, to The music industry is be appointed within the next stepping up its efforts to few weeks to spearhead a tinue to be dealt with by the team of regional directors. Each of these will liaise with

within their regions. Mr Nic Garnett, director of the IFPI, envisaged appoint-The network will be run ing regional directors for from the London headquar- Asia, Latin America, westters of the International Fed- ern Europe and eastern eration of the Phonographic Europe, excluding Russia Industry (IFPI), the lobbying and other former Soviet

Anti-piracy activities in North America would con-Recording Industry Association of America (RIAA), the trade body which represents the US record industry, and its Canadian counterpart.

Piracy has lung heen regarded as one of the main difficulties facing the world's record companies. But over the past year the problem has worsened as sales of unauthorised recordings have risen sharply.

Until recently, piracy

emerging markets in Asia and Latin America but is now increasing in established music markets such as North America and western Europe, where the

One reason for the increase is the falling price of compact disc production equipment. It now costs roughly £500,000 (\$817,000) to kit out a factory capable of manufacturing 3m-4m discs

record companies had previously thought the problem under control.

tended to be restricted to nett, compared with about retail sales of \$40bn. £1m a year ago.

The availability of cheaper equipment has intensified Rome this spring, when they the financial pressure on previously legitimate proof the IFPI's proposed antipiracy network. duction plants, some of which have started selling pirated discs in desperation.

The RIAA seized over 200,000 illegal compact discs in the US in 1996, against just over 25,000 the previous year. Mr Garnett estimates that, on a worldwide basis. piracy cost the industry roughly \$2bn worldwide last a year, according to Mr Gar- year, against legitimate ings "on the side".

Record executives discussed the piracy issue in decided to finance creation

Mr Garnett said the network should enable the industry to be more rigorous in detecting piracy, and more aggressive at lohhying for copyright protection. One priority will be to check whether apparently legitimate production plants are selling unauthorised record-

# Hotels set for shake-up

By Scheherazade Daneshkhu, Leisure Industries Correspondent

The European hotel industry will be shaken up by mergers, acquisitions and joint ventures in the next few years as large international hotel chains vie to increase their presence, according to a report\* published yester-

Occupancy levels at European hotels rose hy 2 per cent last year to 72.2 per cent, according to Arthur Andersen, the accountancy firm, which surveyed 1,000 hotels of three-star standard and above. Average room rates rose by 7 per cent to DM174.29 (\$102).

"As occupancy and average room rates recover from recession, hotel operators ings would have had to be will seek opportunities to extend their distribution into their source markets, to strengthen brand recognition and reduce overhead costs," said Mr Alex Kyriakidis, partner in charge, world-wide hospitality and leisure. Large international hotel

chains, such as Marriott, Hilton Hotels Corporation and Inter-Continental, will target regional and large national players while continuing to acquire small European STOUPS.

in the mid-market sector as smaller groups merge or collaborate in joint ventures, in order to expand nationally and reduce overheads, says Arthur Andersen.

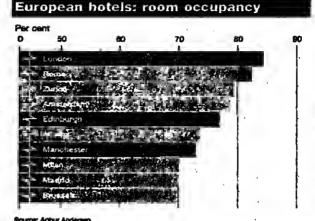
Europe received half the world's international tourism expenditure last year hut the health of its hotel industry varied widely between countries.

London, hnoyed hy a record year for tourist arrivals, enjoyed the highest average occupancy levels of 84.3 per cent. Hotels in Rome with marginally lower occupancy rates, were the most expensive. Average revenue per room rose by 22 per cent to DM185.13, doe to a rise in tourism, a lack of new hotels and a strengthening of the lira against the D-Mark.

Difficult economic conditions continued to affect hotels in France and Germany. Occupancy levels in Paris were static while those in Berlin and Frankfurt fell back last year compared to 1995. However, botel performance will improve this year in both countries, particularly Germany, due to a tentative uplift in economic performance, according to

Higher oil prices gave a fillip last year to Middle East- to 1995. But Arthur Ander- London WC2R 2PS, £750.

Arthur Andersen.



Global international tourist receipts



ern economies which also sen, warning the faltering benefited from the highest rise in tourist arrivals in the world.

The earlier Middle East peace hopes led to a flurry of hotel development, particularly in Jordan where average room rates rose by 11.5 per cent last year compared

peace process could hit hotel-building, believes the large increase in hotel development in Jordan could damage the industry's performance medium term. \*The Hotel Industry Benchmark Survey 1997, Arthur

Andersen, 1 Surrey Street,

hear LDC call offered by the WTO.

Trade experts

By Kasra Naji in Dhaka

Experts from several international trade organisations are in Bangladesh to examine ways of helping the world's poorest countries integrate into the world trade order.

Poor members of the World Trade Organisation complain they have heen increasingly marginalised as the volume of world trade has increased in favour of developed countries.

Least Developed Countries (LDCs) often do not know their ohligations and rights under the world trading system, said Mr Alamgir Farouk Chowdhury, Bangladesh's commerce secretary. "In conferences we cannot play a meaningful role and as a result our comparative advantages are undermined and growth in trade is heavily weighed towards developed countries," he said, pointing out that last year only 1 per cent of for-eign direct investment went to LDCs.

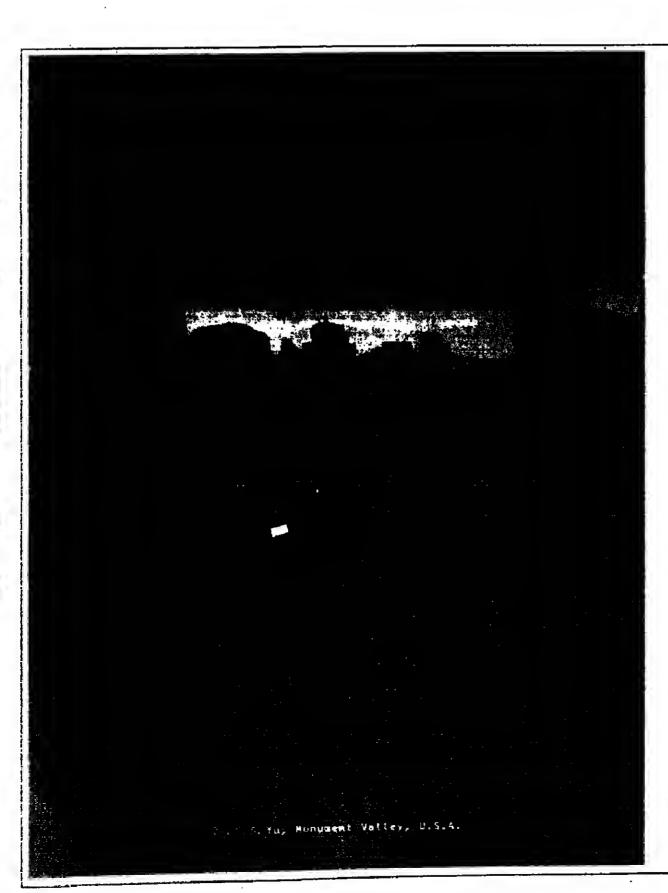
The experts are following up the recommendations of the final communique of the WTO summit last December in Singapore which called for steps to help 48 LDCs improve their capacity to respond to the opportunities

to the cry for help from LDCs who want to know bow they can react to the fast changing world trade climate," said Mr Khalil Rabman, senior economist from the United Nations Confereuce on Trade and Development which is leading the first joint delegation of economists and development specialists from the WTO, Unctad, the Division of Technical Co-operation Co-ordina tion (ITC), the United Nations Development Programme and the Economic and Social Commission for

Asia and the Pacific (Escap). The result of the study is expected to form a loose model which could be adjusted for other countries with differing problems. Technical assistance to build up knowledge and trade expertise is one area where LDCs can be supported, but members of the mission said they were looking at other possibilities such as advice on how to diversify the

export base of LDCs. Garment exports of Bangladesb, for example, form 66 per cent of the country's exports, which is far too much reliance on a single export commodity," said one member of the mission.

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# Poll opens cracks in face of Canada

Canada's wartime prime minister, Mr William Lyon remarked that "if some countries have too much history, we have too much

His observation has never seemed more apt than in the wake of Tuesday's general

Although the Liberals, led by Mr Jean Chrétien, won a second majority, the election exposed all the fissures one might expect in a country time zones, horders three oceans, and has two official languages, dozens of immigrant communities, and a relatively small population ranging from sophisticated city-dwellers to impoverished fishermen.

Gone, at least for the next five years, are the days when three parties - the Liberals in the centre, the Progressive Conservatives on the right and the New Democrats on the left - could claim to represent the entire

country.
Two-thirds of Liberal MPs in the new parliament come from Ontario, the ricbest and most central province. What's more, all but two of Ontario's 103 MPs are Liberals. Almost all the Liberals elected outside Ontario are from a handful of cities. notably Montreal, Winnipeg

and Vancouver. The four economically disadvantaged Atlantic provinces, previously dominated by Liberals, voted solidly for into surplus. The Reform

Liberal spending cuts.
The secessionist Bloc Québécois captured more than half the seats in Frenchspeaking Quebec, defying earlier predictions that it would fall victim to a disastrous campaign and the provincial government's fiscal

In the west, the 10-year-old populist Reform party made a virtual clean sweep of Alberta and won 23 of British Columbia's 34 seats. It also had the satisfaction of displacing the Bloc as the official opposition, but failed in its main objective of becoming a national force by making inroads into Ontario. Mr Chrétien, who may

struggle to keep his joh after a lacklustre campaign, vowed to govern for the "whole country". Political observers, however, were divided on his chances of success. The Liberals, with only a bare majority, will face four sizeable opposition parties in the House of Com-

The Liberals gave little clue during the election campaign what they have in although they promised to sustain the fiscal discipline that was the main achievement of their first four years in office

Among the divisive issues expected to dominate the new parliament is how to spend Ottawa's "fiscal dividend" as the budget moves party and the Conservatives

Another looming issue is Quebec's future rols in Can-Lucien Bouchard, the province's premier, aim to hold another independence referendum within the next two to three years.

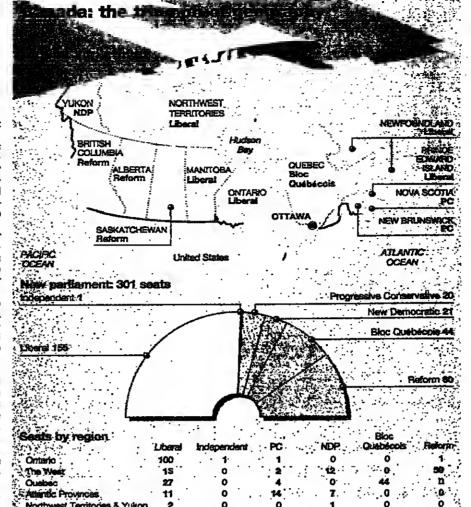
Mr Chrétien has so far adopted a low-key, two-pronged approach. He has made some concessions to Quebec, for instance, by devolving federal jurisdiction over labour training to the provinces. This has been accompanied by initiatives known collectively as Plan B aimed at demonstrating to Québécois the costs and dangers of a break-up.
The Reform party has

pressed for a more hardline approach. It insists Quebec should be treated the same as the other nine provinces. and wants the government to draw up an unambiguous set of demands should the Québécois vote for independence next time round.

Reform's more extrame position could polarise the national unity debate. It has succeeded in tapping latent anti-Quebec feeling in many parts of the west, where resentment simmers over Ottawa's perceived favouritism towards the Frenchspeaking province. One Conservative strate-

gist described Reform's message as "dangerous but accu-Some Liberals, however,

think Reform's hard line could provide an opening for



their party to present itself hope that the "Gang of as the voice of moderation Four" on the opposition best able to hold the country together.

servatives' popular leader. and Ms Alexa McDonough of the New Democrats both indicated on election night that they would take a nonpartisan approach to

national unity. threater Similarly, the Liberals groups.

benches may turn out to be less of a threat than seems Mr Jean Charest, the Con- at present. As one Liberal strategist said yesterday:

"Four noises equals zero." One strategy for the Liberals may be to extend an olive hranch to the New Democrats, who are the least threatening of the opposition

challenge extends beyond Parliament Hill in Ottawa. Mr Chretien and others in the federalist camp will need to find fresh ways of making Canada relevant to disgruntled westerners and frusfuture is not to be shaped entirely by its geography.

**Bernard Simon** 

# Populist ready for limelight



Preston Manning and his wife Sandra

Preston Manning was often introduced as the most influential figure in Canadian politics. He and his conservative Reform agenda for the campaign, forcing his rivals to respond to his controversial proposcial opposition, Mr Manning can speak with an authority he could not claim before.

s a candidate, Mr

Mr Manning has prepared for the limelight. After struggling awkwardly through the 1993 campaign, he returned to the hustings this year with a new image carefully crafted by his wife and handlers. He underwent laser eye surgery to do away with glasses, wore more casual clothing, and dyed his hair, styling it younger.

Alberta premier for 25 years. Mr Manning's father was her and one of Canada's earliest religious radio

broadcasters. Mr Manning has adopted ulist style. And in an era of party regionalisation in Canada, he was the ohvious choice for most western voters. Born in 1942 on a dairy farm east of Edmonton, Mr Manning graduated with an economics degree from the University of Alberta, After operating an Edmontonbased research and manage-

The opposition leader's ment consultancy, he a "tough-love" approach. political grooming, however, founded the populist Reform began long before. He party 10 years ago in a Vanlearned western conserva- couver hotel room. In 1993 tism from his father. Mr he launched the party to Ernest Manning, a populist national prominence with party did, after all, set the politician who served as the campaign thema "The West Wants in".

While his performance was also an evangelical Christian considered shaky in 1993, Mr lumped together Quebec pol-Manning has adapted well to the public eye and has learned to use the media to his advantage. In true popuhis father's politics and pop- list fashion. Mr Manning's campaign stops often took on the air of town hall meetings, where he portrayed himself as a political outsider in spite of holding a parliamentary seat. He repeatedly drove home his message only Reform could shrink government and taxes, as well as resolve the

carefully chosen for national television audiences. Snappy sound bites, shrewdly worded to be controversial, were gobbled up by the national media. Television ads were inflammatory: one implied they were not fit to

Reform style the advertisement did not say as much. Critics have charged that Mr Manning has established himself by promoting an extremist political agenda. Yet it is a tactic which has worked well for the party and Mr Manning appears to relish his ability to reshape public opinion.

govern, but in typical

Scott Morrison

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# debt default

The state of Alagoas in the north-east of Brazil has defaulted on R\$109.2m (\$102m) of debt, the latest sign of the hndgetary crisis that has engulfed most of the country's state govern-

Alagoas' failure to repay maturing bonds was also the first direct impact on financial markets of the long-running congressional inquiry into allegedly frandulent bond issues by state and municipal governments.

The federal government is refusing to bail out Alagoas. The Senate, which must approve all state hond issues, has so far declined to roll over the bonds. The city of Osasco in the state of São Paulo also defaulted on bonds worth R\$29.1m

"The states which are in the same situation as Alagoas, and fortunately there are few, cannot count on taxpayers' money being set aside to cover these bonds," said Mr Sérgio Amaral, the president's spokesman. Tha naws had little impact on Brazilian financial markets, in part because of the small amounts of bonds involved.

Brazil's states has been caused by excessive borrowing and hy the reduction in inflation, which has exposed many hidden liabilities. The state of São Paulo, the richest in the country, was forced to sign a refinancing agreement with the federal government last month for

R\$50.4bn of debt. Political analysts said the absence of a bail-out for Alagoas would force other states to agree refinancing deals with the federal government, which would include commitments to sell assets and cut spending. Eight of the 27 states, including Alagoas, have yet to sign agreements.

The default is also expected to limit severely the market for new state government bond issues which is already the subject of a congressional investigation.

Under Brazil's 1988 constitution, states and municipalitles are only allowed to issue bonds to cover debts they are legally obliged to repay. Senators leading the congressional inquiry claim several state governments have used the proceeds from bond issues for other pur-

# Brazil state in Sports spree benefits mixed

A multi-hillion dollar spending spree on fresh venues for top league sports teams has had a mixed impact on the finances of cities across the US, according to Standard & Poor's, the credit rating agency.

The past decade has seen a rush by America's baseball. basketball, hockey and fcot-ball owners to huild new stadia and arena for their teams often with financial backing of the cities and counties where they are based.

Some 85 per cent of the 105 sports franchises that enjoy big league status have either moved into new venues, or are preparing to do so, according to S&P. The wholesale modernisation has been prompted by the flood of television money into sports, and the demand from companies for better facilities in which to entertain.

Among the problems identified by the credit rating agency has been the tendency of some cities to provids direct public finance for facilities without then being able to generate the revenues to service the debt.

themselves to risk by agreeing to back new vanues without first getting the sup-

port of local taxpayers. The cities that have done best out of the construction boom have used so-called tourist taxes, such as car rental and hotel taxes, to raise money from people visiting their venues. They have also been the ones which have invested in baseball, rather than other sports: the busy baseball season, with each team playing at least 81 games at home, means the average baseball stadium attracts 2.1m fans a

three sports combined. The economic impact of such schemes, and the fear of losing long-established sports teams to rival cities eager to win major league franchises themselves, has made this one of the biggest local political issues of the decade in cities like Cleveland, Baltimore and Detroit.

year, as much as the other

According to S&P, the financial impact on cities has ranged "from modest, yet positive, to negative" and has bad a direct affect on the standing of some US cities in financial markets.

AMERICAN NEWS DIGEST

# **US** growth may slow

The US economy's impressive growth in the past six months may slow later this year, a report published by the Conference Board, an influential private-sector research group, said yesterday. The index of leading indicators, a basket of statistics that predicts economic activity about six months ahead, fell in April for the first time in 15 months.

The index fell by 0.1 per cent in April, following acreases of 0.2 per cent in March and 0.5 per cent in February, the board added. The main contributors to the decline were higher weekly jobless claims, a decline in stock prices and a drop in consumer confidence. But April was widely recognised as a weaker month for overall economic activity and the leading indicators reflected that. It is far from clear whether that weakness will

continue for the rest of the year. While the data for May have not yet been compiled, some of them suggest a rebound last month. Consumer confidence was higher than for more than 20 years, stock prices reached new record levels, and the nation's purchasing managers reported a jump in manufacturing activity. In the next two weeks, a spata of other indicator of activity in May will demonstrate whether the April slowdown was the start of a broadly based deceleration in Gerard Baker, Washingt growth or merely a pause.

### Anti-trust blocking move

Senator Ernest Hollings, a leading Democrat, is blocking confirmation of Mr Joel Klein, the US Justice Department'e top anti-trust official, because of concerns he would be too soft on big telecoms mergers, the senator said yesterday. Mr Klein, as acting attorney-general for anti-trust questions at the Justice Department, prompted complaints when he authorised the \$23bn merger of Bell Atlantic and Nynex in April.

The decision was interpreted by some as a sign he would be less strict than Ms Anne Bingaman, his predecessor in the job. Mr Hollings was said by aides to be preventing the nomination coming to a vote on the senate floor, at least until he could meet Mr Klein and learn more about his views. If confirmed, one of the first issues with which Mr Klein will bave to deal is the proposal for a merger worth more than \$50bn between AT&T, one of the giants of the telecoms sector, with the regional phone

company SBC Communications. Mr Reed Hundt, the outgoing chairman of the Federal Communications Commission, which must also consider the merger, said that these discussions raised the

question of whether it might constitute "one merger too far".

Bruce Clark, Washington

### Brazil trade deficit falls

Brazil's trade deficit fell sharply to \$271m in May compared with a \$951m deticit in April, with economists attributing the drop to seasonal factors. The May figure was the best result since the same month last year. Strong exports of agricultural products, such as soya, and lower than expected oil imports were responsible for the fall. The growth in Brazil's trade deficit, fuelled by a sharp acceleration of imports, has become an increasing source of concern for economists, who fear it is putting a restraint on short-term growth and could lead to

macroeconomic instability. The May result brings total deficit for the year so far to \$4.26bn, against a \$5.5bn deficit for the whole of last year. The trada deficit is thought likely to reach \$11bn-\$13bn this year. Various measures have been taken to cut the. deficit, including restrictions on consumer credit for ertain goods, increased credit for exports and restricti on import financing. However, economists expect more measures, to be directed at reducing imports of consumer

### Mexico 'free medicines' suit

Mexico's main leftist opposition party yesterday filed suit against the ruling Institutional Revolutionary party (PRI) on charges of using public funds to win votes. The Party of the Democratic Revolution (PRD) alleges the PRI handed out free parcels of publicly funded medicine as if they were donations from President Ernesto Zedillo's

party. The charges have been filed at the attorney-general's office against the PRI gubernatorial candidate and a handful of other PRI officials in the eastern state of Campeche, one of six states with elections scheduled to take place in July. Mexico City residents will vote for their first mayor; most of the national Congress is also being contested.

The PRD said Mexico's health laws prohibited anyone tampering with public medicines and said people faced up to nine years' jail if found guilty. The PRI denies misusing state resources for electoral purposes. Reuter, Mexico City

### Death penalty evidence today

The jury in the Oklahoma City bombing trial will hear evidence today on whether Mr Timothy McVeigh should face the death penalty. Mr McVeigh was found guilty on Monday of the bombing, the worst act of terrorism on . American soil. Prosecutors are expected to call victims' relatives and survivors of the blast; the defence will present evidence from Mr McVeigh's relatives to a federal jury sitting in Denver.

Vietn

Mr McVeigh was convicted under federal law of the killing of eight federal law enforcement agents. Federal law makes such murders a capital offence, but the federal government has not executed a prisoner in more than 30 years. Officials in Oklahoma, where the death penalty is more common, have said they will bring Mr McVeigh to trial on state charges for the 160 other victims not covered by federal law. They will push for the death penalty, in an attempt to override a federal penalty they fear will be too weak or may be overturned on appeal. Many of those who lost family members in the bombing are calling for Mr McVeigh to be executed. Patti Waldmeir, Washington

### New York art world inquiry

The Justice Department has subpoensed financial documents from several prominent auction houses and, it is reported, several New York art desiers. Dealers told the New York Times yesterday that they believed the government was investigating the possibility of collusion and price-fixing among art dealers buying at auction:

The possibility of "bid rigging" or "bid-pooling" by dealers who agree not to engage in bidding wars has loss been rumoured in the art world. The practice keeps works from being auctioned for their true valua and allows dealers to resell the work at an exaggerated profit. One of the auction houses said it understood "other U.S. auctioneers and several prominent New York art dealers have been required to provide documents". AP, New York

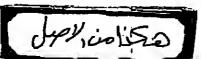
The bottom line

eservations Centre to Ireland has been entirely justified. We that a very sport time frame as which to have everything in place for the start of the operation and we have found everything in place for the start of the operation and we have found everything in place for the start of the operation and we have found everything in place for the start of the operation and we have found everything in place for the start of the operation and as determined as we are to make this a success story. The state of the state of the state of

Hans Mirka, Senior Vice President International, American Airlines



<u>is Ireland</u>







THE PARTY ... to the second **FOT BAT** 124 

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F. S. Villa ...

**₩** # 16. The state of the s 4 M -Ber Berners, as . ... PER PORTON SIL k Mass Age Park # march Military and the second

Tokyo plans spending cuts By Gwen Robinson in Tokyo 0.5 per cent, or about Y200bn also be hit under the panel's higher medical costs and yesterday adopted proposals next April. for severe spending cuts in a move designed to reverse the country's deficit-ridden state which will be held to zero or finances.

Ryuturo Hashimoto, who led The curtailment requires a special government cross- about Y920bn to be cut from party panel briefed to identify the cuts, said the proposals were "a definitive collection of fiscal reconstruction measures" that would set a "strong and clear-cut direction" for the cabinet to carry US request that Japan join through reforms in key

Under the plan, general system. expenditures will be cut by

**Sydney** 

bed tax

By Nikid Tait in Sydney

Japanese-owned botels in

Australia, which have been

opposing plans by the New

South Wales state govern-

ment to impose a 10 per cent

"bed tax" in the run-up to

the Sydney Olympics, were

yesterday offered a reprieve.

owned hotels in Sydney

wrote to the state govern-

ment protesting at the tax

and accused it of a "total

They told the government

that leading tour operators

in Japan were warning that a significant number of tour-

ists could decide against vis-

iting Sydney or shorten their

stay there if the tax went

The tax came as part of

the state budget and allowed

the government to forecast a

small surplus for 1997-98. It

would have imposed a 10 per

cent levy on botel beds in

Sydney's city centre and on

the North Shore.

tour groups.

ished." it said.

the tax to around A\$36m in

ibut the Australian Hotels

Association (AHA), which represents the industry, said

iast night its members would

reject Mr Egan's offer. "Our position is no compromise -

we want the bed tax abol-

The AHA added that the

proposal bad been put forward by Mr Egan in a meet-

ing with its representatives yesterday afternoon, but it was made clear that a compromise was not acceptable. The AHA now plans to

release the findings of a

review by accountants Ernst

& Young of the impact of the

tax on tourism and the local

ing the Olympics. The city's limited resources are likely

to be stretched, and there

are plans to house visitors

on cruise ships in Sydney

An interest of the same of the

Some hotel-owners say

the next financial year.

ahead.

breach of our confidence".

Last month Japanese-

scaled

back

mode to defence spending. beginning next April. negative annual growth over The prime minister, Mr three years from next April. defence programme, which

began last April. If carried through, it Tokyo's deliberations over a development of a costly space-based missile defence

Public works spending will down is likely to lead to

By Mark Nicholson in New Delhi

India abould begin phased

liberalisation of controls on over-

seas capital transactions with the

goal of reaching full capital account

convertibility within three years, a special central bank committee rec-

But the panel - empowered by Mr

P. Chidambaram, finance minister,

in this year's budget to "lay out the

road map" for convertibility - said

further moves to atrengthen the

financial system, big additional cuts

in the fiscal deficit and a lower

inflation rate were "crucial" to

ommended yesterday.

meeting the target.

The Jupanese govarnment for the fiscal year beginning 7 per cent next fiscal year for an overall cut of 15 per The biggest cuts will be cent in the three years also be held back. The panel

> affect leading general contractors, who have been suffering from falling orders. the Y25,150bn, five-year curtail the rampant spending so conspicuous in previous administrations.

increased spending on 2002. would add further doubt to social security, meanwhile, will be held to only Y300bn, instead of the expected Y800bn increase that was to come largely from medical system reform. The slow- farm lobby.

(\$1.7bn), in the state budget proposal to slash outlays by possible cuts in other social welfare spending areas. Agricultural outlays will

proposes extending hy two The move will further years a six-year plan to spend Y6,100bn on helping Japanese farmers cope with liberalisation of farm prodbut will help Mr Hashimoto uct imports. The plan was to have been completed in the year beginning April 2000, but will now continue until

> for the government, which derives much of its political support from the influential

Agricultural spending is a

particularly sensitive issue

Indian convertibility timetable urged

Tiananmen wound refuses to heal

trols on capital transactions.

It said India would benefit from

capital convertibility through better

access to capital at international

rates, better diversification of risk,

markets and a "disciplining influ-

ence" on macro-economic policies.

a spur to development of financial

But it set a series of tough eco-

nomic "signposts" India must meet

along the way. The committee said

India should cut its fiscal deficit

from a budgeted 4.5 per cent of gross domestic product this year to

4 per cent in 1998-99 and 3.5 per

cent the following year.

Japan cuts back: the key measures

Q., Stesh fiscal 1996-2000 defence bolid-up programme worth V25,150bn by V920bn

Q. Cut official development assistance for facel 1999 by 10 in the package by 45000m.

Reduce public works apending by 15 per cent in Secal 1998-2000 and set a 7 per cent arminer decrease. In facel 98 opending for public works. per cent from previous year

Curb 1800bn of increase in social security costs for fiscal 1998 to V300bn

cuts were fiercely opposed by key figures in Mr Hashimoto's ruling Liberal Demobroaden Japan's international profile.

cratic party as well as its two parliamentary allies, the Socialists and the indepen- inet ministers, as well as dent New Party Sakigake. Least sensitiva domesti- ers, also recommended holdcally, but a big blow to ing spending on programmes

Japan's internationalists, are targeted cuts in the country's overseas aid budget by lower in the three years Proposals to make deeper Y100bn in the next fiscal from next April.

But the central bank panel said apore, the central bank governor,

"the time is now appropriate" to said inflation should be kept within

begin moves towards removing con- a range of 8-5 per cent during the

The panel, chaired by Mr S.S. Tar-forming loans of state-run banks.

Province, four workers con-

counter-revolutionary clique

However, a lesser conviction

British rule and closer prox-

people believed Beijing had

erred in suppressing the 1989

movement, and 75 per cent

said Hong Kong people

should push for democracy

year, at a time when the government is seeking to

Examily faces "1955-2004 package of measures supporting farmers bit by Linguisy Round farmers years effectively clienting impacts and raduce public works hadges

in the package by 4500bn \*

ه کنامن بومل

The panel, comprising cabacademics and other advisto help small businesses to the previous year's levels or

transition period and this rate should be "mandated" by parlia-

ment. This, it argued, would require

giving the central bank greater

autonomy to police the lower rate.

It also said strengthening India's

public sector dominated financial

system was the "single most impor-

tant precondition" to any move

The panel advocated full deregu-

lation of interest rates, a lowering

of hanks' cash ratio held at the cen-

tral bank and "drastic measures" to

reduce the high levels of non-per-

towards convertibility.

Hopes flickered last week of political freedoms, and

Inflation now stands at 6 per cent.

ASIA-PACIFIC NEWS DIGEST

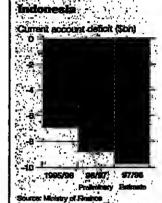
# LDP defence team to Beijing

Japan's ruling Liberal Democratic party is to send a delegation to Beijing at the end of the week to reassure the Chinese government over Japan's defence and security intentions.

A group of LDP MPs responsible for foreign policy. security and defence, will spend from Friday to Sunday in Beijing, meeting Mr Qian Qichen, foreign minister and Mr Chi Haotian, defence minister. They plan to brief the Chinese authorities on a potentially controversial Japanese government review of its 1978 guidelines on defence co-operation with the US. The review, for completion this autumn, may expand assistance offered by the Japanese military to US forces in the case of a conflict in east Asia. Details are still under discussion, but it might, for example, make it possible for the first time for the US air force to use Japanese civilian airfields

Another issue of concern to China is potential Japanese participation in a sophisticated missile defence system being developed by the US. The Japanese delegates will be keen to impress on their hosts that both the review and possible participation in the missile defence system are for purely defensive purposes and not intended to isolate William Dawkins, Tokyo

### Indonesian trade surplus down



Indonesia has announced a narrowing trade surplus for March, the smallest in nine months. Figures released yesterday showed the trade surplus shrank to \$243m in March, down from \$391.7m a year earlier and sharply lower than the \$964.3m surplus in February this vear. A smaller trade surplus had been expected as economists had predicted a rebound in import growth, which slowed to 5 per cent last year from nearly 30 per cent a year before. Total exports rose year-on-year

by 2.8 per cent to \$4.06bn in March but were outpaced by imports, which grew by 7.3 per cent to \$3.82bn. The slowdown was brought about largely by lower world oil prices; oil and gas exports fell to \$960m from \$977m a year earlier and just over \$1bn in February. Economists said the government is still expected to

keep its current account deficit at between 4 per cent and 4.5 per cent of gross domestic product this year. It has predicted a current account deficit of 4.2 per cent of GDP for fiscal 1997-98. Manuela Saragosa, Jakarta

### Mixed HK land auction

Hong Kong's last government land auction before the return to Chinese sovereignty provided mixed signals but left real estate analysts confident about prospects for the property market. The first site to he sold, a residential plot on Hong Kong island, saw slow hidding before being sold to Paliburg Holdings for HK\$5.5bn (US\$710m). This fell short of predictions of HK\$6bn.

Demand was more buoyant for a residential site on the Kowloon peninsula. Cheung Kong Holdings, the flagship company of Mr Li Ka-shing, the territory's most prominent tycoon, paid HK\$6.06bn, far higher than expectations of between HK\$4.5bn to HK\$5.5bn. Sector analysts said the relatively low price for the Hong Kon site partly reflected its location in Stanley, on the south side of the island. John Ridding, Hong Kong

The Asian Development Bank yesterday returned to the global capital markets for the first time since 1995 with a \$1bn bond offering. ADB officials said an unexpected loan repayment hy Indonesia last year allowed the bank to forgo its annual global dollar bond issue in 1996.

the possibility of a debut offering in D-Marks later this year to belp bridge the remaining \$1.6bn gap. Mr Peter Balon, ADB deputy treasury, said the bank was also considering debut issues in the Philippines, Thailand and Indonesia to help kick-start their domestic capital markets. The ADB has already issued Taiwan dollar and Edward Luce, London

# be read into the verdict. For Hong Kong, contem-

convertibility, as the Reserve Bank

of India panel recommends, repre-sents one of the most significant

remaining steps in India's six-year-

old reforms and is central to the

country's full global economic inte-

gration. The International Monetary

Fund has strongly urged India to

The Indian rupee was made freely

tradable for physical trade transac-

tions in 1994. But foreign invest-

ment transactions, both into and

out of India, have been banned or

tightly controlled for all but foreign

direct and portfolio investors and "non-resident" Indians. Indian com-

panies, notably, face tight limits

begin such steps.

A firm commitment and a set and a tough approvals procedure for

schedule towards capital account foreign borrowings or investments.



he anniversary today

The government argues aiso discomforting for Chithat these properties stand na's leaders as they seek to to benefit substantially from consolidate their authority pre-Olympics husiness and after the death in February should be prepared to shoulof Deng Xiaoping, the counder some of the costs. The try's patriarchal leader. Games are due to be held in "There are many people now who don't agree, with the student-led movement.

Sydney in the year 2000. Vesterday, Mr Michael Egan, the state treasurer. They say the movement was said the government would wrong - it affected social stability - but people were exempt existing forward bookings from bearing the killed and that was a tragtax, which is due to come edy," says Mr Wang Shan, a into force in September. nco-conservative author These are estimoted at with close Communist party A\$99m (US\$75m), saving ties. But the regime is conhoteliers or their customers strained in dealing with the about A\$10m. About 46 per iegacy of Tiananmen because of the presence in cent of existing forward bookings are from Japanese the leadership of Mr Li Peng, the prime minister, who Mr Egan said that the congave orders for the crackcossion would cut the state down on the authority of Mr government's revenue from Deng himself.

"It seems impossible there will be a vindication of the not refute what his predecesmovement in the next two sor [Deng] has done."



'Pillar of shame' sculpture is erected in Hong Kong for mass rally today commemorating Tiananmen massacre news

years," says Professor Xu Academy of Social Sciences. "The central government just dare not touch the issue. President Jiang Zemin can-

Nevertheiess, pressures Liangying of the Chinese continue to build behind the scenes for a reversal of the verdict on Tiananmen which was judged a counter-revolutionary crime for which many of those involved received long jail sentences.

on the mainland. Hong Kong will be the scene this week of demonstrations marking the massacre. These are an annual event drawing thousands to a candle-lit vigil. Many will no doubt wonder whether the new administration will

permit such protests.

Chinese leaders, meanwhile, seek occasionally to address concerns about lack

that the leadership might be implicit is the promise of edging towards a review political reform, although no when, in northern Jilin timetable is laid down. "According to the constituvicted in 1989 of organising a tion, power in the country

belongs to the peeple, and had their sentences quashed. the people exercise state power through the National of counter-revolutionary People's Congress (parliaincitement was upheld, sug- ment) and local congresses gesting too much should not at various levels," said Mr Qiao Shi, chairman of the NPC, in a recent newspaper plating the imminent end of interview.

"To ensure the people are lmity to mainland control the real masters of the coununder the "one country, two try, that state power is really systems" formula, the legacy in their hands, we must of Tiananmen lingers. An strengthen these institutions opinion poll by Hong Kong and give them full play. At University published this the same time, it is neces week indicated 63 per cent of sary to improve grassroots self-government so people can manage their affairs."

In spite of Mr Qiao's remarks, however, Beijing will continue to be prickly about criticism of lack of political freedoms, especially around the June 4 anniversary. The official China Daily yesterday warned the west, in a long article repndiating criticism of China's human rights record, not to focus on "single events or persons", a reference to the Tiananmen anniversary.

### ADB in \$1bn bond offering

In 1997, bowever, the bank planned to raise \$2.6bn with

Tony Walker

# Hong Kong clout adds to Hanoi's worries

# Vietnam concerned at China's economic grip

Vietnam is worried Beijing may use Hong Kong's considerable economic clout as levarage against Hanoi should relations between the two communist neighbours they are aggrieved because they had co-operated over provision of hotel space duragain turn sour. Concern is centred on the hundreds of Hong Kong companies that spearhended a drive by foreign investors into Vietnam in the early 1990s and have established a firm foothold. Some in the Vietnamese

leadership are apparently

One.

PEREGREVE

Paragrine, the world's number one booksumer

of Asian equity issues in 1996 and 1997 \*

nervous that these compa nies have connections with mainland Chinese business between Vietnam and Hong Kong are also a worry.

"It's a concern that Hong Kong is in the hands of Beijing. China has additional influence to introduce pressure on us," said one influential party member. Relations between the two

have ranged from mutual suspicion to outright hostility, most recently in 1979 when they fought a brief border war. Centuries-old rivalries surfaced again in March when the presence of a Chinese oil rig in disputed waters erupted into a tense diplomatic stand-off.

Diplomats say that event has prompted close scrutiny of the implications for Vietnam of the Hong Kong hand-

Communist party sources said the party general secretary, Mr Do Mnoi, plans a Stokes & Master, a Hong trip to Beijing as soon as possible for a first-band view of China's atance towards Vietnam since the death of Deng Xinoping, the paramount leader. Vietnam worries over the

huge amount of Chinese goods smuggled across the two countries' porous bor-Bilateral trade is estimated at about \$500m a year with cheap Chinese products

undercutting their Vietnam-

ese competitors, threatening

Vietnam's fragile manufac-

turing base.

China is ranked 21at among foreign investors, with 43 projects valued at interests. Strong trade ties \$77m. Vietnam is wary of ethnic Chinese capital inflows and has encouraged investment from Taiwan and Singapore as a way of achieving balance.

Hong Kong is the second biggest foreign investor in Vietnam, with projecta under way for New World Group, Luks Industry, rice producer Golden Resources, Bank of East Asia and a hotel investment held indirectly by Mr Li Ka-shing, the Hong Kong billionaire with strong contacts in Beijing.

However, some play down Vietnamese fears of mainland Chinese infinence through such companies: "I think a lot of people are concerned about that. But perhaps some of those fears are exaggerated," said Mr lan Lewis, a partner in Ho Chi Minh City with Johnson

Kong-based law firm. Nevertheless, there are recent signs that China has been courting Hong Kong

Beijing's embassy in Hanoi

has approached Hong Kong businessmen with a proposal to set up a Hong Kong chamber of commerce under its auspices. And earlier this week China's consul general in Ho Chi Minh City made an unprecedented appearance as guest of honour at a business luncheon for Hong Kong businessmen in the minority party besides the city's New World Hotel.

# Indonesian party MPs may quit

Officials from one of Indonesia's minority parties yesterday said its members of parliament may withdraw from the assembly after their party's disastrous showing in last week's general election.

Preliminary results show the Christian-based Indonesian Democratic party (PDI) secured only just over 3 per cent of the nationwide vote Its total number of seats fell from 56 to 10, below minimum levels for representation on key parliamentary

The PDI's popularity collapsed after the authorities engineered the removal of its popular leader, Ms Megawati Sukarnopntri, and replaced her with a government-backed candidate last year. In the aftermath, Ms Megawati told her supporters not to vote for the

Political observers warned that a withdrawal of the PDI from parliament would disenfranchise Indonesia's non-Moslem opposition which includes voters on the island of Bali, parts of eastern Indonesia, regions of Sumatra and Kalimantan.

That would be a blow to the credibility of a broadly three-party political system, created by Mr Suharto in the 1970s. The Moslemoriented United Development party is the other

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Proposal will test willingness of Blair to oppose further EU social regulation

# Brussels push for works councils

By Robert Taylor, Employment Editor

The European Commission will propose today that all companies in the European Union should be required to set up information and consultation committees for their

The proposal, contained in a consultation document issued by Mr Padraig Flynn, the EU's social affairs commissioner, could be intro-duced by a qualified majority vote through the EU's social chapter if trade unions and employers failed to reach agreement on it.

The proposal should provide an indication of the willingness of Mr Tony Blair, the UK prime minister, to oppose further EU social regulation, which is rejected by British employers as a burden on their businesses. Mr Blair has promised to sign the social chapter but has said he will reject any new EU laws that might impede competitiveness.

Mr Blair told European heads of government less than two weeks ago sultative bodies for their employees that be wanted to "campaign to to improve their competitiveness

The government yesterday signed the Council of Europe's charter of local self-government, which the previous Conservative administration refused to adopt, Alan Pike writes. Ms Hilary Armstrong, the local government minister, surprised a Local Government Association conference in London by announcing that the charter was being signed in Strasbourg to "demonstrate central government's recognition of the value of local

rest of Europe".

Mr Flynn wants a response to his consultation document within six weeks. If the trade unions and employers cannot reach agreement, he will present a legislative measure to the EU beads of government for their support.

companies in member states should this year. This led to widespread create works councils or similar con-

The charter, which 23 Council of Enrope member states have ratified, sets standards for protecting munic-

ipal authorities' rights. These include declarations that they should manage a substantial share of public affairs, and have adequate financial resources of their own. Ms Armstrong said the govern-ment's decision to sign the charter was a "pledge of our commitment to forge a new and constructive partnership with local government at

extend flexible labour markets to the and productivity. He will say workers have a "fundamental social right to be informed and consulted in advance on any decisions by their employer likely to affect them".

The European trade unions will welcome his proposal, which they see as an important job protection heir support. measure after the closure of Ren-Mr Flynn will argue today that ault's plant at Vilvoorde, in Belgium, worker protests.

The proposals in the document will cause little difficulty or alarm in social legislation in the EU.

most Eli countries, because such committees or works councils already exist under national law. But for the UK it would represent a significant shift to legal regulation in an area formerly ruled by voluntary agreements.

The UK Trades Union Congress said last night: "We welcome the sensible and modest proposals to improve the flow of information in

These basic minimum standards are already practised by successful companies everywhere. Information and consultation committees are the foundations for flexibility with fairness which is the key to company

But Mr John Cridland, buman resource director at the the Confederation of British Industry, the biggest UK employers' lobby, questioned whether the European Commission had the legal powers to introduce such a measure, which should be left for each member state to decide. He also said there is "not widespread enthusiasm" for further

# Digital TV bids cause concern

By Neil Buckley in Brussels

Mr Karel Van Miert, the European competition commissioner, said yesterday he had concerns about the British Digital Broadcasting bid for digital terrestrial

licences in the UK. Mr Van Miert said he had been asked for his views on the issue by the UK Indepen-dent Television Commission. which will decide later this month whether BDB, or its rival Digital Television Net-

work, wins the licences. "There is a problem so far as the pay-TV business is concerned because there could be an enhancement of an already dominant posi-tion," Mr Van Miert said.

BDB brings together British Sky Broadcasting, the satellite television venture, Carlton Communications and Granada. DTN is controlled by NTL, the cable and broadcasting services

Speaking during and after conference in Brussels about "convergent technologies", Mr Van Miert suggested there might be a problem with the same operators dominating conventional broadcasting, satellite broadcasting and the emerging digital sector,

"There is a problem ecause Carlton is applying for one of these licences, Mr Van Miert said.

The commissioner added: "Our opining has been asked about it and we have voiced nnr concerns. The ITC is involved but no decision has been taken.

Mr Van Miert also said yesterday that the decision on digital terrestrial in the UK had been delayed because of competition con-

cerns". The ITC confirmed yesterday that it rontinely contacts other regulatory bodles as part of its decision-making process, including competition anthorities anch as the Office of Fair Trading and

Under broadcasting legisensure "fair and effective competition" in the prnvision of broadcasting ser-

Competitive issues have been simmering away since applications were made for commercial digital terrestrial licences, which should ensble between 30 and 50 new services to be received in the UK. The main advantage of digital terrestrial is that the extra channels can be received on ordinary aerials and without the need for satellite dishes or cable

### UK NEWS DIGEST

# Lloyd's offers delay to Names

Lloyd's of London said yesterday it would allow Names more time to meet tough new capital requirements follow ing angry protests at its original proposals. But it has tempered concessions with demands that the Names - individuals whose assets have traditionally backed underwriting at the insurance market - provide funds at loyd's totalling 40 per cent of the business they back. Lloyd'a proposed plans last month to strengthen the financial security underpinning insurance policies. But they were criticised by influential groups of Names, who argued that the rapid pace of reform could force many nembers out of the market.

Under a system to be introduced over several years, reginning next year, investors will have to show evidence of assets representing at least 50 per cent of the premiums they can support. Those assets will comprise funds held

n trust at Lloyd's and other personal wealth. Lloyd's has extended from two to three years the period during which the funds at Lloyd's requirements will be raised from 20-30 per cent for most Names. It will also allow Names five years to show that they have £350,000 in

The Association of Lloyd's Members welcomed the concessions but expressed concern at the increase to 40 per cent in funds at Lloyd's.

### ■ MERCHANT SHIPPING

Minister pledges support
Mr Gavin Strang, transport minister, yesterday promised

to reverse the decline of Britain's merchant navy and to safeguard the country's maritime future. In the first indication of the Labour government's attitude to the ship-ping industry. Mr Strang said it would not allow unfair competition to continue to erode the fleet.

A frequent complaint of the industry in recent years has been that competitors based in other countries enjoy tax breaks and other benefits not available to the UK fleet. Mr Strang told the International Association of Ports & Harbours conference in London that the role of government should be "to create the dynamic and supportive environment in which trade can prosper". The Chamber of Shipping, representing UK shipowners, said: These represent the most important pledges by a cabinet minister on shipping for many years." Charles Botchelor

### ■ FINANCIAL PRODUCTS

### Group ordered to retest salesforce

Prudential, the UK's biggest insurance and pensions group, has been ordered to re-test its entire direct salesforce after criticism from the chief city watchdog over Its training and compliance procedures. Each of the 5.500 members of the salesforce - the biggest in the industry will be tested over two or three days on key aspects of their financial training. The Securities and Investments Board has ordered the move because of concerns about the depth of the salesforce's training in certain product areas. The criticism comes in a draft SIB report following a routine inspection visit to the Prudential earlier this

SIB also accuses the Prudential of wrongly advising some of its non-tax paying clients to buy one of its products when other products would have been more suitable. SIB also claims the company's salesmen advised some clients to buy a second personal pension, incurring new charges, rather than topping up an existing one.

But Mr Jim Sutcliffe, chief executive of Prudential's addressed urgently. "There have been some mistakes and we are treating them very seriously," he said. Accountants KPMG have been brought in to assist the company, Christopher Brown-Humes

### HOUSING MARKET

### Property agents warned on deceit

Estate agents will be banned if they engage in "improper unfair, deceitful or oppressive practices", the Office of Fair Trading warned yesterday. It was responding to reports that some agents have taken advantage of the rising housing market by accepting money for not passing all bids on to sellers. Mr John Bridgeman, director-general of fair trading, said yesterday: "This amounts to making a secret profit and is particularly objectionable. I would remind them that I have powers to ban them from practis-ing as an agent if they breach the Estate Agents Act or to remove their consumer credit licences.

A shortage of properties has caused prices to rise sharply in central London and part of south-east England. The Royal Institution of Chartered Surveyors said: "The practices identified by Mr Bridgeman are indefensible, although only a tiny minority of agents are likely to be

### ■ CONSTRUCTION INDUSTRY

### Union warning on strike threat

A trade union leader said vesterday that the building industry might face a wave of unofficial disputes after the collapse of pay talks. They broke down after unions rejected a three-year pay offer to increase hourly craft rates from the current £4.58 (\$7.46) to £6.05 by 1999. Mr Allan Black, national officer for the GMB general union. said the industry was "sleepwalking towards industrial action". He described the pay offer as "unrealistic".

The Building Employers' Federation said the offer was generous. Mr Malcolm Fordy, chairman of the building employers' side, said: "I must make clear that no further concessions will be made."

### MANCHESTER AIRPORT

### 'Animal' evicted from runway site

A 17-year-old protester known as "Animal" was evicted yesterday from the site of the second runway at Manchester airport, after a painstaking operation by bailiffs to free ber arm from an oil drum filled with concrete. The bailiffs (court enforcement officers) were clearing the last of the six camps built by protesters trying to block the building of the £172m (\$280m) runway at Manchester, the busiest British airport outside London.

# N Ireland splinter gangs are outlawed

By John Murray Brown in Dublin

Orders banning two breakaway terrorist groups were issued yesterday by Ms Mo Mowlam, chief minister for Northern Ireland in the UK government. One organisation is the flercely antirepublican Loyalist Volunteer Force, which opposes the continuation of the 21/4 year ceasefire by the Com-bined Loyalist Military Command. The other is the Continuity Army Council, a splinter from the Irisb Republican Army which opposes the peace strategy of

The orders were made after Ms Mowlam had spoken outside the first resumed session in Belfast of multi-narty talks about the future of Northern Ireland. She said in the talks that the dispute about "decommis-Sioning terroris weeks", before negotiation can start on substantive constitutional issues.

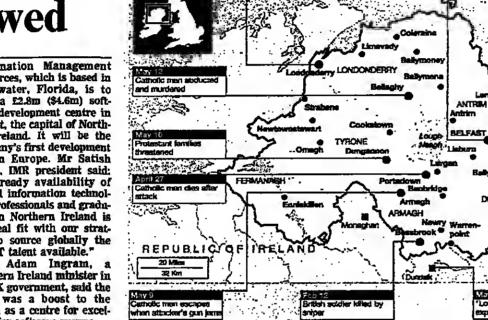
discredit the entire peace process and forfeit "the best opportunity for a generation of securing a widely-acceptable political accommodation". She also repeated that the talks would proceed reinstate a ceasefire "demonstrated in words and deeds".

Information Management Resources, which is based in Clearwater, Florida, is to open a £2.8m (\$4.6m) software development centre in Belfast, the capital of Northern Ireland. It will be the company's first development site in Europe. Mr Satish Sanan, IMR president said: "The ready availability of skilled information technology professionals and graduates in Northern Ireland is an ideal fit with our strategy to source globally the best IT talent available."

Mr Adam Ingram, a Northern Ireland minister in the UK government, said the news was a boost to the region as a centre for excellence for software groups.

fringe "loyalist" parties, Ms reach a peak on July 6. Mowlam said the UK governwould bave no b must be settled "within tion" in ejecting them from the talks if the Combined Loyalist Military Command broke its ceasefire. The par-She said she understood ties are the Progressive the difficulties for some par- Unionist and Ulster Demotles. But further delay could cratic parties, the political wings respectively of the outlawed Ulster Volunteer Force and Ulster Defence

Association. The decision to release ber remarks at the plenary session of the talks - hitherto without Sinn Féin if the IRA, beld in closed session -



Backdrop to the talks

Questioned about the con-, surrounding contentious tinued participation of the summer parades, which

Ms Mowlam was given a cool reception to nar during a separate address to the annual conference of the Police Federation of the Royal Ulster Constabulary, the Northern Ireland police

Seeking to reassure rank and file officers, Ms Mowlam insisted she was not advocating change for the sake of

"The independent investigation of allegations against police officers is your guarits military wing, failed to underlines the government's antee that the good work concern that the stalemate you do cannot be undercould exacerbate tensions mined by ill-founded or mali-

cious criticism." she said. as hardly warm in her remarks on police reform new seat and she was announcing reform of the

"If there is something fun-

ern Ireland then it should be prison in the capital. obvious that the resolution of the problem lies in the hands of the community and not with the RUC," he said. The conference comes just two days after an off duty year. police officer was murdered by "loyalists", apparently for his role in the policing of a

recent Protestant march. Relatives were yesterday burying constable Greg Tay- circles in the 1970s.

lor, who was kicked to death But Mr Les Rodgers, chair- in Ballymoney on Saturday. man of the 11,500 member • Ms Roisin McAliskey was federation, told Ms Mowlam yesterday granted bail by a her to be transferred to a specialist mother and baby unit. Ms McAliskey, 25, gave birth to a daughter a week damentally wrong in North- ago after being held in

> Ms McAliskey is wanted by the German anthorities for questioning over a mortar bomb attack on a British army base in Osnabruck last Ms McAliskey is the

> daughter of Mrs Bernadette McAliskey who, as Bernadette Devlin, was active in Northern Ireland nationalist

# Regulator slams 'huge' water dividend rises

By Leyla Boulton, Environment Correspondent

Mr Ian Byatt, the water industry regulator, has attacked big increases in divideod payments to share-bolders by water companies as financially "unsustainable" and politically danger-

wby they feel it necessary to bave this bnge dividend growth because it is nnt obvious that investors in water need to get a better return [than other sectors]," be said in an toterview.

Five companies last week

season by reporting way they are going to get double-digit dividend growth in profits at that increases, which mostly out-stripped rises in underlying pre-tax profits.

Anglian, for example,

cent after exceptional items. Yorkshire announced a dividend up 19.5 per cent compared with a 3.1 per cent

increase in adjusted profits. Mr Byatt's comments are an attempt to discourage expectations of continuing increases, sncb as those "I'm very puzzled as to promised by United Utilities, by they feel it necessary to the water and power group. Last week it repeated its intention to raise dividends in real terms by 11 per cent a year to 2000.

Sonth West Water bas promised to maintain dividend growth before inflation launched the sector's results at 8 per cent. "There is no level," Mr Byatt said.

He warned companies they were sending the wrong signals to the public,

pre-tax profits of 7.7 per fall tax on privatised ntility profits. "The more you dem onstrate yon've done frightfully well the more you encourage people to think that a utility tax is a good ldea," he said. "The clear signal they're giving is they don't need all the money."

The next stage, he added

was "to get in and have some rules" requiring com panies to explain their dividend policy. Their failures to tackle leakage, for instance, had led to the setting of annual targets for leakage reduction.

Politicians might otherwise adopt a US-style model of regulation, which sets companies a fixed rate of return. This would be "a tragedy" because it would destroy incentives.

reported dividends up 15 per at a time when the govern- Editorial Comment, Page 11 owns 22.5 per cent of Came- ered."

# **Lottery shareholders** alarmed by profit plan

a non-profit making organi-

He edded: "We run the

most efficient lottery in the

world. This row over salaries

sation running the lottery."

By Charis Gresser and Christopher Price

Thres of the main shareholders in Camelot, the ' consortium which operates the National Lottery, yesterday expressed grave concern at the prospect of running the lottery if it became non-profit making.

One also warned that the organisation risked losing its management team if the disputs with the government over pay continued. On Monday, Sir George

Russell, Camelot's chairman, offered to embark immediately, "in partnership with the government", on talks to lottery, which the government wants run on a "not-But Sir Ernest Harrison,

chairman of Racal, which

is embarrassing, of course, but if you want the best then you need the most efficient operator." Mr Jeremy Marshall, chief executive of De La Rue, which also owns 22.5 per cent of Camelot, said: "I

don't think our shareholders would be happy to see us devoting management time and investment in a business for no return." create a new shape for the shareholder, said: "We are

GTech, Camelot's US not going to provide our goods and services without a the year to March had risen profit element. We are a forprofit company, but certain concessions could be consid-

would not want to be part of holders, computer group iCL said it was awaiting the government's proposals, while Cadbury Schweppes declined to comment. ICL is an offshoot of Fujitsu.

Mr David Rigg, Camelot's director of communications, said yesterday: "We would consider a long-term structural arrangement to include a not-for-profit concept, but what does that mean?" De La Rue also said it was

concerned that the pay row which has engulfed Camelot executives could mean Camelot losing its top executives. Last week, Camelot announced that total payments to 10 executive and non-executive directors for

> Lex, Page 12 Racal results, Page 20

by 40 per cent to £2.3m.

# Leading lady: Cherie Blair has acquired two "part time" assistants

# Government attacked over increase in special advisers

By James Blitz and George Parker

Senior Conservative politicians bave attacked the Labour government's decision to employ at least 53 people as publicly-paid special advisers to ministers, claiming it represents a move towards "big government" at the pub-

lic's expense Mr John Major, the former Conservative premier who is now leadar of the opposition, was said to be angered that Mr Tony Blair, the Labour prime minister, bad made at least a dozen more outside political appointments than was the case under the Conservative administration.

Salaries for the Blair government's of special adviser appointments made

The Labour administration is employing at least 53, a dozen more than were hired by the former Conservative regime

money, are also a source of contro- went above 40. Aides tn Mr Blair versy. Mr Blair's aides are insisting that the total cost of employing all the advisers will not go far above the \$1.7m (\$2.8m) incurred by the previous government - but some could be earning well above £70,000 a year.

Mr Major's frontbench team is expected to ask an avalanche of questions in parliament over the next few days over why Mr Blair has exceeded the number advisers, who are paid out of public under the Conservatives, which rarely

explained that move reflected the more centralised style of government Mr Blair was trying to adopt.

"We made clear that we wanted to run things more from the centre," an official said. "That requires political direction and it requires people who made an input into the Labour election

The special adviser dates back to the Labour governments led in the 1960s and 1970s by Harold Wilson, who felt

from acolytes.

Technically classified as "temporary civil servants", they are paid from public funds and tend to work in the office next to their masters. A typical special adviser will do everything from writing political speeches to giving confidential briefings to the press or carrying ministerial documents around the Houses

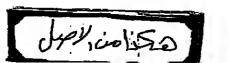
of Parliament. Mrs Cherie Blair's appointments are also of interest. Her predecessor, Mrs Norma Major, had an assistant paid

from public funds on a part-time basis. But Mrs Blair now has two assistants Ms Fiona Millar (partner of Mr Blair's press secretary) and Ma Roz Preston (a former Labour party worker) - both of wbom are also class).

ministers needed to have ready advice fied as "part-time". Aides explained their roles. For example, Mr Blair will be in Sweden later this week for a meeting of socialist leaders. So Mrs Blair is to present the Sun newspaper's bravery awards. "Sho will need some-

one to accompany her," an official said. Professor Peter Hennessy, the leading academic expert on the workings of the government machine, believes that too many are now filling the ranks of the administration and that Mr Blair should cut them back.

Three of the current crop of advisers have powers that go beyond normal limits, Mr Alastair Campbell, press secretary to Mr Blair, and Mr Jonathan Powell, his chief of staff, are managers who can order government officials to do their bidding.



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he theme of today's column is revision. It is in the nature of the job that criticism in daily newspapers records reactions immediately after events. In many instances recitals and concerts are obvious examples - there is little possibility of revising or modifying that initial reaction, bul very often in the case of television we could, if only we would, return to a subject. In the case of new series you do sometimes find a critic taking a second bite at the cherry, though rarely. Yet a critic, like anyone eise, may well change his mind.

Mine has changed regarding the BBC1 comedy Keeping Mum which was defended here after its first episode against those who took high minded exception to dementia being used for comedy. I suggested that anyone who had had to deal with a close relative suffering from Alzheimer's disease knew that, although deeply painful, tt was a phenomenon which also produced highly comical moments. That remains true, and writer Geoffrey Atherden has every right to exploit the subject. Moreover, Stephanie Cole's performance as the afflicted Peggy is superb, as you would expect from this actress. But the tone of the series is unfortunate. Occasionally you can sense sympathy, but there is too great a readiness to milk the situation for Television/Christopher Dunkley

# A second bite at the cherry

what you seem to hear is sniggering. Another newish comedy, See You Fridoy (ITV), looked at first like a welcome change in that its attitude towards beterosexual relationships was approving and even enthusiastic. However, as episodes have gone by it bas become apparent that this is an over-studious British attempt to emulate those recent American comedies which so famously convey "the feelgood factor". In itself that is no bad thing, but - at present, anyway - it is proving too lovey-dovey, too sweet, too cloying, as the couple in separate cities strive to keep their weekend dates. Still, it is through-composed with events moving on from week to week (which is not true of every sit-

com), so matters may improve. Still with comedy, back in the days when Yes Prime Minister was having its first run (1986 to '88) too little admiration was expressed here. BBC2's Wednesday evening repeats are proving that this is as much a classic series as Dad's Army, and one which

viewers. Admittedly the weekly joke of having the top civil servant, Sir Humphrey, lapse into multisyllabic obfuscation is tedious, but that aside It stands up wonderfully well. Its great strength is in the convincing layer of authenticity lying just below the surface of the comedy, and that comes, presumably, from thorough research.

et's hope that in a few weeks time it will seem necessary to revise first impressions of another, though different sort of comedy series. "To see Harry Hill", we were promised, "is to experience one of the purest and most sophisticated forms of entertainment currently available in this comtry". If so, despair is in order for British comedy. You can always tell when producers are nervous about a new comedy series: they overdo the laughter. Sure enough, they have smothered Harry Hill in the stuff. "Make haste for the parade is in but half an bour", said Hill and the soundtrack exploded with a readiness to milk the situation for will surely be just as successful in mirth. "A dolphin will jump out of the every possible laugh, and too often amusing successive generations of water for a piece of fish, imagine what

producers gave us prolonged hysteria. It can only improve.

One other comedy, of yet another sort, deserves more celebration than it has received here so far. Few would have believed that a rip-off from Radio 4's News Quiz could ever be a big success on television, yet Talk Back's Have I Got News For You has become, for many, one of the few "must see" programmes of the week. The most important element in this is Paul Merton's ad-libbing. When he is on form, as he was on Friday, his lugubriously delivered flights of fantasy combine elements of Spike Milligan and Les Dawson. His yarn about the polar bear dropping through a greenhouse roof was wholly absurd yet hilarious. Furthermore, he makes the others funny.

Attitudes here towards Channel 5 need revising: so far the blind eye has predominated, but in truth the new network appears to be a disaster area. Saturday's Rugby Union showing the England/Argentina match, designed with the Poland/England football match to help the new network to its

it'd do for chips", said Hill and the biggest ever audience share, was an object lesson in how not to do sport. What we want is all the action with good camerawork plus well balanced sound, and a minimum of gorblimey experts in the studio telling us what to think. What we got was poor camerawork (Argentinian perhaps, but it was Channel 5 that brought it to us), disgraceful sound (apology captions appeared repeatedly) and much irritating studio pontification. Instead of just protecting the big occasions, perhaps the government could pass a law giving all sport back to the BBC whose technical work and commentaries now

look like models for all the newcom-

ه یخنامن برمول

Usually I am deeply suspicious of anyone who comes on screen to tell me how to look at the following movie, but Alex Cox's introductory notes for the BBC2 cinema slot, Moviedrome, were invariably exceptions. Yet I never found the space to celebrate his idiosyncratic and often fascinating introductions. Now, for the new Moviedrome series beginning on Sunday, Cox has disappeared (jumped or

pushed?) and his place is to be taken by Mark Consins. Cox's flair for picking the odd, telling moment came out again in Close Up on Saturday when he nominated as his favourite film clip the moment in King Kong when the dinosaur pauses to scratch his ear. On this inconsequential detail Cox constructed a lightning but wholly persuasive critique of modern Hollywood and its lack of individual vision. BBC2 should find a way to bring us more of Cox. not less.

hich is an ideal cue to salute and regret the departure of Michael Grade, a man of individual vision, from Channel 4. His departure was marked by a workmanlike profile in BBC2's peculiar arts or culture series. The Works. If any of the spreadsbeet experts now dominating British commercial television have anything like Grade's vision they are keeping it well hidden. Grade combined a happy vulgarity with a deep instinct to defend real freedom of expression, an invaluable combination which television can ill afford to lose. He was frequently in the limelight, but praised too little for his courageous defence of writers and producers whose work was under threat of suppression. In this instance revisionism comes a little late, but bet-

### Ballet/Clement Crisp

# The true nature of dance celebrated

openhagen was looking at its most entrancing at the weekend. It is an irresistible city, blessed with a ballet company uo less irresistible. The season has just ended with a new three-act ballet, Kim Brandstrup's Cupid and Psyche, and a final gala tribute to commemorate the artistry and influence of that great dancer, Henning Kronstam,

Though the Danish-born Brand-

strup's creative career has been for the most part spent in Britain - he is a product of the London Contemporary Dance School, and his Arc Dance Company bas laboured splendidly here for a decade - his dance pieces are notable for their world. In them we find a poetic sense of location, and a strength of vision whose power is held somewhat in reserve. He has a laste for literary subjects as thematic material to be transmuted (not merely adapted) by movement which is unusual in loday's dance theatre. liamiet, The Dubbuk, Othello have been given alert choreographic expression. Subjects as different as Mexican celebrations for All Souls Tay (Saints and Shadows) and the Hollywood film noir (Crime Fic- would benefil from editing to maintions) have inspired memorably tain the lension of the previous good dance. And, dance in Britain being what it shamefully is, Brand- is in everything helped by an admistrup has worked on a minuscule rable score from Kim Helweg, a budget; and puverty being the blessed state it is, his works have made their impact through imaginative resource rather than clutternn: decor. (An nunce of visual wit lwing worth several thousand tons of the bombast that brought us the Royal Ballet's Sleeping Beauty or

With his first three-act work for The Royal Danish Ballet, which I saw at the weekend, Brandstrup has paid a passing tribute to August Bournonville by using the theme of Capid and Psyche that was once Bournenville's too. For Brandstrup a challenge hes in undating the legend, through the daily contrast we may still see in Rome between memories and remains of the antique world that surround modern living. The Brothers Quay have designed a setting of classic pillars, colonnades, m which the tale is lold as if in a Fellim film of the 1950s - a Vespa putters over the stage; the clothes (Kandis Cook) are hideously of their period.

Brandstrup's three acts show us Psyche as victim of Venus' jealousy, and the unexpected twist of Cupid falling in love with her. Then, in the second and most successful act, Psyche is loved by Cupid, but knows him only by night - she may not see his face. Curiosity of course kills that particular puss, and it is only when Psyche agrees to be blindfolded that Cupid's love is restored to her in Act 3. The narrative is, as you may judge, resonant with symbols. Brandstrup, who is a romantic his Orfeo has a happy ending sensibilities remain Danish. His maintains a slightly ambiguous view of the characters, and this skill in creating an atmosphere, a gives an odd savour to the action, where motives are not entirely clear. (And bow life-like that makes the ballet seem!)

> he choreography is serious, perceptive. The general dances and scene-setting in Act 1 are effective; the second act is emotionally taut, beautifully conceived; the third act - Into which Brandstrup sets three dull divertissements featuring act. Bul the piece is a success, and musician working in the Royal Theatre, Atmospheric, dramatic, this is also musique-dansante, and a very considerable achievement. The performances of Heidi Ryom and Martin James as Psyche and Cupid, and of the entire cast, were unvid. expressive.

In gelebrating the life and work of Henning Kronstam (who died in 1995, aged 61) the artists of the Royal Danish Ballet were paying tribute to a great dancer who was to become director of the company from 1978 to 1965, and then a coach and teacher. Kronstam had many gifts. He possessed physical beauty. a lustrous technique, unfailing dramatic skill. In every role - and l count myself fortunate to have seen so much of his work - he was transformed. The Bournonville heroes were bis by right, of course his James in Sylphide so haunted, impassioned - but he

dominated everything he danced by selfless artistry. His Romeo for



Lis Jeppeson: the most natural and poetic of sylphs

Julie, and his Apollo, were performances that inspired audiences as they did other dancers by clarity of means as by intensest feeling.

Thus Sunday night's tribute, with many of his roles revived, from the Drummer in Graduation Ball (danced with tremendous élan by Johan Kobborg) to lengthy extracts from Napoli, La Sylphide, Giselle. Lis Jeppeson was again the

delicate pose and feeling made natural, right, poetic); and in the Quaker dance from the Whims of Cupid (which is 210 years old) Anne-Marie Vessel and Flemming Ryberg were sublimely glum, faces and spirits down in their sprightly

It was heart-rending to watch film of Kronstam rehearsing Lloyd
Riggins as Albrecht - everything gave such joy to the world.

Frederick Ashton, his Jean in Miss truest, loveliest of sylphs (every of the role still there in Kronstam's gestures and expression - then heart-lifting to watch the company bubble through the last scene of Napoli. All the artists of tha company were on stage, with the tarantella bursting with dancers sharing roles, their evident joy - which Bournonville declared was the true nature of dancing - making the hest of tributes to Kronstam, who

Opera/Andrew Clark

# Stars come out for 'Boccanegra'

afanders rola as a purveyor of international opera will have felt vindicated by the performance of Simon Boccanegra which opened the Royal Opera's 1997 Verdi festival at the weekend: it matched beautiful voices to beautiful music. There was a star conductor. chorus and orchestra were well drilled and the cast seemed aware of each other. It was not an evening for those who like to have their grey cells stimulated, as Verdi surely wanted, and there was no evidence of the emotional heat on which Verdian drama depends. But by its own standards, this

was international opera of a

very superior quality. To secure such musical ensemble is in itself an achievement - but what else does one expect from Sir its premiere in 1991, Solti her brightest talisman. that have served him well throughout his life: whip the music into shape and maintain that shape strictly. This navs dividends in the shimmering strings of the Act 1 prejude, in Verdi's sprv accompanying figures and the sforzato flourishes of the big confrontations, on which Solti pounces like a tiger. And I've never heard the Recognition Scene driven to such an exultant climax. Such all-purpose brilliance

is nevertheless at odds with an opera whose character depends on subtle shades and flexible contours. There was not a shred of rubato, no sense of the inhalation and expiration of breath, nothing Italianate about the way the melodies wera developed. Solti's Verdi always lacked humanity, and age hasn't changed his ways.

The polish of this and other recent revivals is quite remarkable when you take into account the company's offstage turmoil: Terry

of Edwards's chorus is in stu-Covent Garden's pendous form, and Elijah Moshinsky provides another of his serviceable stagings an idea-free Boccanegra rather than the intimate drama of moral and emotional complexity which Verdi's Genoese opera aspires to be. Within those limitations, Michael Yeargan's set - a diagonal line of pillars - and Peter J. Hall's costumes are more than acceptable.

All bar one of the principals had sung their roles on previous occasions at Covent Garden. The exception was Marcello Giordani's Gabriele Adorno. He took some time to warm up, and his acting is no more intelligent than most Italian tenors, but he sings with unforced ardour, has a sense of Verdian line exactness from a large and looks a credible nobleman. Despite signs of nerves, it would be difficult to find fault with Dame Kiri te Kan-Georg Solti? Returning to a awa's ever-youthful Amelia, production he conducted at a part that has always been

> prominence he deserves, but the stage is rightly dominated by Roberto Scandiuzzi's Fiesco and Alexandru Agache's Boccanegra. The contrast is marked not just in looks - Scandiuzzi a patrician in the Charlton Heston mould, Agache a piebeian bruiser - but in diction: the Italian bass wins hands down on that score, sculpting his lines with seasoned skill. Agache sings with imposing weight, and brings statesmanlike authority to the Council Chamber, elsewhere, there is a want of finely-chiselled personality.

Although one learns nothing new about Boccanegra from this production of the standard 1881 version, it provides a valuable yardstick for judging the little-known first version of 1857, which will receive its British stage premiere at Covent Garden on June 28. The chance to compare the two is the chief merit of this year's Verdi festival.

# INTERNATIONAL

### **BERLIN**

CONCERT Konzerthaus Berlin Tel: 49-30-203090 Berliner Sinfonie-Orchestor. with conductor Friedemann Layer and sopratio Christine Schäfer in works by Wagner, Berg and Brahms, Jun 7

**OPERA** Steetsoper Unter den Linden Tel: 49-30-20354438 · Cavaliana Rusticana: by Mascagni. Conducted by Simone Young, Soloists include Uta Priew, Johan Botha and Dennis O'Neill. The programme also dicludes a performance of ! Paghacci by Leoncavallo, Jun 5

### **BIRMINGHAM**

CONCERT Symphony Hall Tol: 44-121-2002000 Orchestra of the Age of Enlightenment: with conductor Sir Sation Rattle and clarinettist Antony Pay in works by Schubert, Mozart and Haydn; Jun 6

### **■ ECHTERNACH**

CONCERT Festival International d'Echternach Tel: 352-728347 Orchestre Philharmonique du Luxembourg: with conductor Vladimir Jurovsky in works by Moussorgski and Shostakovich;

### **EDINBURGH**

EXHIBITION Royal Scottish Academy Tel: 44-131-2256671 • 171st Annual Exhibition: featuring works by many of Scotland's leading contemporary artists; to Jul 5

### FORT WORTH

EXHIBITION Kimbell Art Museum Tel: 1-817-3328451 Monet and the Mediterranean: exhibition bringing together 60 paintings produced by Monet on successive trips to the Riviera: from Jun 8 to Sep 7

### FRANKFURT

CONCERT Alte Oper Tel: 49-69-1340400 Deutche Symphonia Orkester Berlin: with conductor Viadimir Ashkenazy in works by Chopin and Korngold; Jun 6, 9, 10

**LISBON** CONCERT Grande Auditório da Fundação

Gulbenkian Tel: 351-1-7935131 Orchestra of the 20th Century: with conductor Frans Brüggen and the Coro Gutbenkian in works by Mendelssohn: Jun 8

# **LONDON**

CONCERT Royal Festival Hall Tel: 44-171-9604242 Philharmonia Orchestra: with conductor Mikhail Pletnev and violinist David Garret in works by Glinka, Tchaikovsky and Brahms; Jun 8

 Philharmonia Orchestra: with conductor Mikhail Pletnev and pianist Ivo Pogorelich in works by Tchaikovsky and Sibelius: Jun 10

EXHIBITION Tate Gallery Tel: 44-171-8878000 1997 Centenary Displays: special display marking the 100th anniversary of the Tate and featuring a number of major works from the Gallery's collection, from Stubbs and Gainsborough to Matisse and Pollock; to Jun 30 Whitechapel Art Gallery Tel: 44-171-5227888 Cathy de Monchaux: display of

work by the British sculpture who uses a wide range of materials. including brass, rusted steel, lass, paper, leather and chalk. The Lower Gallery of the Whitechapel has been transformed by a dramatic installation, described by the artist as "dream architecture"; to Jul 27

THEATRE Cottesioe Theatre Tel: 44-171-9282252

 Closer: written and directed by Patrick Marber. The cast Includes Sally Dexter and Claran Hinds; to Jun 28

# LYON

DANCE Opéra National de Lyon Tel: 33-4-72 00 45 00 Ballet de l'Opéra de Lyon: performs Petrouchka choreographed by Nadi to music by Stravinsky and Concerto choreographed by Schlömer to music by Stravinsky; Jun 8, 7

### MADRID EXHIBITION

Fundación Juan March Tel: 34-1-4354240 Max Beckman Retrospective: exhibition featuring 35 works completed by the German artist 1905-1950. Beckman was at the forefront of the German avant-garde with work that forsook impressionism for New Realism; to Jun 8

# **MILAN**

**OPERA** Teatro alla Scala di Milano Tel: 39-2-88791 Le Nozze di Figaro: by Mozart. Conducted by Riccardo Muti; Jun 6, 7

### MUNICH CONCERT

Cuvilliés-Theater - Altes Residenztheater Tel: 49-89-296836 Bayerisches Staatsorchester. with conductor Peter Schneider and cellist Lynn Harrell in works by Dvorák and Sibelius; Jun 8-10

### ■ NEW YORK EXHIBITION The Metropolitan Museum of

Art Tel: 1-212-8795500 No Ordinary Mortals – The Human (and not-so-human) Figure in Japanese Art: exhibition covering Japanese art from prehistoric times to the present, featuring paintings, sculptures, ceramics, textiles, lacquers and prints. Several newly restored paintings will be on display; to Oct 5

### NICE EXHIBITION

Musée d'Art Moderne et d'Art Contemporain Tel: 33-4-93 62 61

 Man Ray: retrospective exhibition featuring a selection of more than 200 works by the American photographer, to Jun 9

### PARIS CONCERT

Cité de la Musique Tel: 33-1 44 84 45 00 Ensemble intercontemporain: with conductor David Robertson, trombonist Benny Sluchin and cellist Pierre Strauch inworks by Chin, Berio, Stroppa and Schoenberg; Jun 8

EXHIBITION Centre Georges Pompidou Tel: 33-1-44 78 12 33

La gourmandise: exhibition

featuring works from the collection of the Musée national d'art and the Centre de création Industrielle. Featured artists include Lichenstein, Doisneau, Brassi and Warhol; to Jun 30

### ■ ROME CONCERT

Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064 Orchestra dell'Academia di Santa Cecilia: with conductor Yakov Kreizberg and violinist Christian Tetzlaff in works by Mozart, Schoenberg and Brahms; Jun 6. 9. 10

### VIENNA CONCERT

Konzerthaus Tel: 43-1-7121211 Wiener Jeunesse Orchester: with conductor Herbert Böck, in works by Prokofiev, Françaix and Dvorák; Jun 6

### ZURICH

EXHIBITION Kunsthaus Zürich Tel: 41-1-2516765 Birth of the Cool: display of paintings by American artists, featuring works by O'Keefe, Newman, Pollock, Artschwager, Katz, Warhol, Wesley, Morley, Celmins, Close and Bleckner. from Jun 6 to Sep 7

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10.00 European Money Wheel

18.00 Financial Times Business Tonight



**Edward Mortimer** 

# Disenchanted paradise

While Turkey's political class is absorbed in a struggle over secularism, the country's dynamic economy is held back by a corrupt and inefficient state

By almost all economic indicators, Turkey should be an investor's paradise. It has more than a century of market experience, a strong entrepreneurial culture and a flexible economy that responds quickly to finetuning. Since the 1980s, it has been open to the world. This opening process cul-

minated last year in a full customs union between Turkey and the Europsan Union, though many Turks believe this was a one-sided bargain: Greece blocked the financial aid that was meant to come with it, and the first year showed s trade balance heavily tilted in the EU's

Yet few Turkish companies went bankrupt. Many of them contributed to the import surge by bringing in raw materials and investment goods, laying the foundations for future exports. In the first three months of 1997, says Mr Gazi Erçel. central bank governor, exports were up 6.6 per cent while imports were 5.5 per

Yet, he complains, Turkey is far from getting its due share of worldwide foreign investment. And while the growth rate - 7.9 per cent last year - is impressive given Turkey's 80 per cent inflation rate, Mr Ercel is in no doubt that it could be much higher.

He also knows what needs doing to bring inflation down: complete the privatisation programme, broaden the tax base and reform the bankrupt social security system. But such reforms need a stable government, which Turkey does not havs. Political instability does not only hobble the economy through inflation. Talk of a fundamentalist takeover - or of a military conp to prevent lt - also frightens away foreign

Turkey's secular middle class is convinced the country is threatened by militant Islam. But most of the Erbakan: his foreign policy has been provocative

Necmettin Erbakan, ths prime minister, and his Islamically-inclined Welfare

party relate more to their supposed intentions than to their actual deeds. Among them are the following: A rally organised by the Welfare mayor of Sincan, a small town near Ankara, at Welfare's ability to do which the Iranian ambassador was present and posters of foreign Islamic "terrorist" groups such as Hamas and Hizbollah were displayed.

ister, also a Welfare member, shocked secularist opinion by visiting him in jail. A bitter campaign against the press, which Welfare accuses of blas, and an attempt to introduce a press law distinguishing good news from bad. The only press law actually passed limits the right of newspapers to promote sales through free gifts and

The mayor has since been

arrested but the justice min-

· A campaign to build a mosque in Istanbul's central Taksim Square. This is not new, but has been stepped up since Welfare came into

 Systematic recruitment of Welfare supporters to jobs at all levels of govern-

charges brought against Mr ment, allegedly threatening commanders sit ex officio. In to bring about an irreverslble Islamic counter-

 Empty but provocative attempts by Mr Erbakan to orient Turkish foreign pollcy away from the west and towards radical Moslem states such as Libya and

actual damage in this coalition government, operating under the beady eye of the secular establishment, is in fact very limited. Bnt the establishment has worked Itself into a frenzy about what Wslfare might do if not checked. There is mounting tension between the government and the armed forces. There is also discord between the coalition partners, or at least within the secular wing of the coalition - the True Path party led by Mrs Tansu Ciller, the for-

eign minister. The cabinet meets only at two-month intervals and tha government has for all practical purposes ceased to govern. All political energies are absorbed by the Islamist-secularist crisis. The armed forces have moved overtly into politics, through the National Secu-

rity Council on which their

the influence of religious schools, but the government has yet to comply. A coup is unlikely. Three

coups between 1960 and 1980 - each followed by an attempt to relaunch Turkish democracy on a sounder basis - have not prevented the present crisis. Today's military commanders are probably under no illusion that a fourth attempt would be more successful.

The current wisdom is that the army will not have Intervene directly, because the politicians will give ground without being forced. But that, in itself, is a step backwards for democ-

Inadequate civilian control of the armed forces is one of many grounds on which Turkey fails to qualify for full EU membership. If it were not already a member of Nato it would be regarded as ineligible for

Even Turkey's leftwing intelligentsia, which a year ago was mobilised in protest against buman rights violations, has now virtoally dropped that agenda to rally behind the secularist banner, allying itself with the armed forces and the state prosecutor.

Some opposition figures justify this by arguing that of a firm and stable governthe central issue is not secularism, but the role and personality of Mrs Ciller. The government, says Mr Ismail Cem of the Democratic Left party, is tainted with "original sin" since it is based on a betrayal of principle by both coalition partners. Mrs Ciller, who had pledged to defend Turkish secularism against Welfare's rise, ended up enabling it to form a government. Likewise Mr Erbakan, who had sought to pnt Mrs Ciller on trial for corruption, agreed to bury the charges in return for her

February this body little to justify those who demanded educational hoped it would provide reforms almed at weakening clean government and a more liberal attitude to ethnic minorities such as the Kurds. Turkey's dirty war against Kurdish nationalist guerrillas in the south-east goes on, with all its attendant human rights viola-

> Not surprisingly, there is general distilusionment with politics and politicians. Welfare previously benefited from this, and still hopes to. In the next elections it will argue that "the system" prevented it from governing, and that it needs a majority to fulfil its promises. Most observers expect its vote to go up, from 20 to perhaps 25

per cent Last Sunday, the govern ing parties announced their intention to hold early elections: in the meantime Mrs Cilier would replace Mr Erbakan as prime minister. But they have yet to agree on an election date, and Mr Süleyman Demirel, the pres ident, pointed out that he was not obliged to name Mrs Ciller as prime minister if Mr Erbakan resigned.

He could well first give a chance to Mr Mesut Yilmaz, the opposition leader though it is far from clear that Mr Yilmaz could secure a majority, even if Mrs Ciller's party disintegrated. No scenario offers any hope ment before next year ~ and it is hard to foresee one even then. The whole political system seems strangely divorced from Turkey's dynamic private sector and rapidly developing civil soci-

"Since 1994, the business community has cut its links with the decision-makers in Ankara," says Mr Nurl Colakoglu, head of Istanhul's 24-hour television news channel. This may be a wise decision on its part, but one that offers little hope of a way forward - at least in the short term.

# Accountability of inflation-beaters

Robert Chote analyses the new committee responsible for setting UK interest rates

Mr Gordon Brown, the UK's will be instructed to pursue. advise it to develop better chancellor of the exchequer. has appointed four highly regarded economists from scademia, the civil service and industry to help set interest rates on the Bank of England's new monetary policy committee. Untested and unelected, Britain's interest rates will be in their hands.

These four experts will sit on the committee with five Bank insiders. The City of London reacted enthusiastically to the names, which dispelled fears that Mr Brown would pack the committee with political cronies and inflation doves.

Professor Charles Goodhart of the London School of Economics, is an old Bank hand and a leading expert on central banking. Sir Alan Budd, the chancellor's departing chief economic adviser, has long been seen as the in-house conscience of the Treasury. Professor Willem Buiter, from Cambridge University, is a leading theoretical macroeconomist. Ms DeAnne Julius, from British Airways, brings industrial experience and the fresh eye of a US citizen.

But none of these people has been elected - which is precisely the point. The Bank has been given independent control of interest rates to reassure the public. wage bargainers and the markets that rates are being set for economic, rather than political, reasons. Professor Kenneth Rogoff,

of the University of California (Berkeley), famously argued in 1985 that society would benefit if control of interest rates were handed to central bankers with a greater distaste for inflation than voters. But this demands that an independent central bank enjoys long-term public legitimacy. Mr Brown aims to secure the Bank's democratic accountability in five ways: • The chancellor will set

This is an attempt to make a distinction between the "political" task of choosing a target and the supposedly "technical" task of setting interest rates to achieve it. • The chancellor will retain the right, with parliament's spproval, to rescind the Bank's responsibility for setting interest rates if, "in extreme economic circumstances, the national interest demands it". Some economists argue that, even if this power is never exercised. It will help prevent the Bank from engaging in overkill

when tackling inflation. Seven of the monetary policy committee's nine members will be appointed on fixed but renewable terms. This means they cannot be too careless of public opinion if they wish to be

reappointed. The monetary policy committee will be overseen by the Court of Directors at the Bank, which will have particular responsibility for ensuring that it takes account of differing conditions in the various regions and sectors of the economy. The committee will be

required to justify its conduct of monetary policy in its quarterly inflation report and to defend this in regular evidence to the Treasury Select Committee. There will criticised in the financial also be a full parliamentary debate once a year. In the eyes of the public,

the Treasury Select Committee is likely to be the main channel through which the Bank is held to account. Treasury and Bank officials have always prepared themselves thoroughly for appearlonger-term view and a ances before the committee, but some argue that its effectiveness is undermined by political point scoring.

at UBS and an adviser to the committee in the last parliament, argues that the members of the select committee should form a closer relathe oumerical target for tionship with the academic

the Bank is giving evidence. It remains to be seen to what extent the select committee will hold the Bank to account through the governor and to what extent through the individual members of the monetary policy committee. In New Zealand the governor takes responsi bility for achieving a target laid down in a contract with the Treasurer. He can be dismissed if his performance is inadequote, deemed although this is not automatic if the target is missed. The formal position in the UK is closer to the US where monetary policy decisions are taken collectively by the Federal Open Markets Committee. But congressional scrutiny is dominated by the chairman's appearances

Banking committees. "The chairman is both the symbol and the leader," says Professor Alan Blinder, a former Fed vice-chairman. Most questioning by the committees "would not impress the Oxford or Cambridge debating societies," be says. but the Fed's accountability to the public matters more, "If the chairman goes to Capitol Hill and gives nonsensical blather, then he may well be severely

before the Senate and House

markets and by academics." Mr Quentin Davies, a Conservative member of the old Treasury Select Committee, argues that parliament itself will have to decide how best to hold the Bank to account. This in turn will depend on where power really resides within the committee,

The experience of the Fed and the Bundesbank suggests the head of the central bank will wield power out of Mr Bill Martin, economist proportion to his voting strength. This could confuse the lines of accountability. Ironically, it would also limit interest-rate setting, which inflation which the Bank and Clty economists that of Mr Brown's reforms.

How long will the Derby last and will it be for only fools and horses? Why is the humble white T-shirt a hot item for the hip? Where can the intrepid traveller find lunar landscapes and white knuckle adventure within four hours of London? And why does a mentor maketh the man?

Find out in how to spend it magazine, Colour Supplement of the Year in the 1997 Newspaper Awards, published free with the Weekend FT on Saturday 7 June.

FINANCIAL TIMES

# · LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SEI 9HL

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# Super-SIB concept too complex and over-concentrates power

From Mr Michael Taylor. Sir, As author of the "Twin Peaks" plan for reforming the UK's system

of financial regulation, I would endorse the argument that there is a danger that a single regulator will obscure the different objectives of regulation.

In contrast, the purpose of the "Twin Peaks" model, with its separate agencies for systemic stability and consumer protection, is to make them more clearly dis-

In addition to the confusion of regulatory objectives, there are at least four other significant problems with the "super-SIB". First, a single regulator

runs the risk of experiencing decreasing returns to management. The broad range of activities it will seek to regulate will impose excessive burdens on senior manage ment, and could well result in information overload. Had super-SIB existed a few years ago, and had its management been engaged in dealing with a problem on the scale of pensions misselling, it is doubtful that they would have spotted the problems at Barings any more readily than did the Bank of England.

Second, a single regulator will be exposed to reputational contagion every time a financial scandal occurs. How will the super-SIB be able to avoid an apparent failure in one area of its regulatory responsibilities damaging its reputation in other, unrelated, areas?

The argument that mone tary policy and banking supervision need to be kept distinct to preserve the credibility of the former seems to apply equally to the task of. regulating different sectors of the financial services industry.

Third, how will the super-SIB, and especially its compensation scheme, be funded. How much crosssubsidy will be built into the arrangements? Will investcontribute to the costs of clearing no pensions misselling? This could damage London's position as an international financial

Fourth, a single regulator simply places too much power in too few hands. It will be responsible for regulating a group of industries which collectively account for 19 per cent of UK gross domestic product.

On each of these counts s "Twin Peaks" model offers a superior solution to the super-SIB. I trust that the government has not so far pre-judged the issue to have ruled out this option before the consultation process has

Michael Taylor reader in financial services regulation, London Guildhall University, 84 Moorgate London EC2M 6SQ.

# Dogmas are short on wisdom

From Sir Gerald Elliot. Sir, The FT intellectuals, and many investing institutions, seem to be in the grip of two fashionable dogm ons that the pay-back of capital and substitution of loans for equity will improve s company's earnines in both the short and longer term. the other that the breaking of any large company into parts, separately quoted, will increase total profits and share prices. The code name for this is "shareholder value". Of course these ideas have merit in certain circumstances, but to apply them universally is absurd. It was revealing to read Lex ("Thorn EMI", May 29) strug gling to reconcile its belief in the demerger of Thorn and EMI with its evident failure in share price terms.

A company which I helped to build up, Christian Salvesen, fell victim to the same dogmas a few months ago. when a large repayment of capital and "demerger" were pushed through despite strong opposition by its private shareholders. The unwisdom of that has been already reflected in a substantial fall in the share price. I hope institutions investing in British industry will think again before the damage caused by these doctrines becomes widespread.

Gerald Elliot, 8 Howe Street Edinburgh EH3 6TD,

### A soft option may offer no choice at all From Mr George R Lees.

Sir, In a matter of a few weeks we have moved from contemplating the future of Emu in terms of a hard euro to a soft one.

It is little wonder that the ordinary German views the euro as "fudge-coated chocolate money" that he certainly does not want to put in his pocket!

The crux of the Emu prob-

lem has always been, and remains, the difficulties of financing the welfare state. National differences in welfare systems make the situation even more difficult, but the budgetary problem is the most intractable. Each time a country proposes a significant reform, political opposition (and strikes) blocks

The soft euro implies an

Italian rather than a German approach to monetary management. The implications of this change in monetary policy are higher rates of inflation and interest rates. A soft euro may, of course mean no euro at all.

George R Lees, 12 Roedean Crescent London SW15 5JU,

# Pay rise was fiscally responsible and within the law

Sir, I refer to your report Venezuela cabinet faces probe" (May 29). While the UK has been enjoying the warmth of an anticipated summer following the general election, in Venezuela, where political campaigns tend to run a little longer, the heat of premature electioneering gives rise to dis-

torted realities which sneak

into the international press

in the guise of established truth. Although citizens of democratic societies grudgingly put up with electoral posturing, they rely on the media as a means of filtering out the chaff and the outright fabrications.

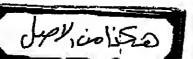
One of the proudest achievements of President Rafael Caldera's government has been its agreement with the unions and the private sector oo a fiscally responsible pay rise. The ministerial

all branches of government were in a position to honour the agreement drawing from existing budgetary resources and set in motion the standard process whereby additional credits are requested from the National Congress. in so doing, my government has not only acted in accordance with the law, but also with its commitment to economic growth and social jus-

cabinet simply ensured that

To paraphrase President Caldera: "It is a difficult state of affairs indeed, in which a high ranking official entrusted to control public spending, can proclaim to the media that the payment of the workers' salary

Roy Chaderton-Matos ambassador, Embassy of Venezuela, 1 Cromwell Road. London SW7 2HW, UK





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# Retreat on German gold

Theo Waigel, his finance minister, had to beat an undignified retreet yesterday from their plans to top up their budget with a revaluation of the Bundesbank'a gold reserves. It was a wrong-headed plan, which has damaged the country's reputation for responsible book-keeping. It has harmed Mr Kohl

had the good eense to back down in the face of near-universal condemnation, and the scathing criticism of the central bank. Any benefit from the gold postponed until 1998, as the Bundesbank had demanded. That leaves a gap in the budget of at least DM10bn to be filled in the current year if Germany is to keep its budget deficit down to anything like the Maastricht limit of 3.0 per cent of GDP.

Finding another source of savings, or revenue, to reduce the deficit is going to be a bruising battle, but this is one Mr Kohl cannot afford to lose. His coalition partners, the Free Democrats, as well as Mr Waigel's own Christian Social Union in Bavaria, are fiercely opposed to the most obvious solution, new tax increases. The advantage of a petrol tax that it is not what they are increase, the most ohvious progoing to get.

Chancellor Helmut Kohl and Mr posal, is that it would rapidly raise much of the cash needed and all would go to the federal

government.

If Mr Kohl cannot get his coalition to deliver on the measures needed to let Germany qualify fair and square he can hardly force other countries to do it. At all costs, he must avoid a solution which smacks of furlaunch of the single European as using privatisation as using privat ther creative accounting, such of the government. If tax increases are out of the question, spending cuts must be con-sidered. For far too long, this government has failed to tackle the question of subsidies to industry and to agriculture. That is where new savings should be found.

> Even if a compromise can be found, the whole episode has left the impression that Mr Kohl is willing to risk anything, including a conflict with the Bundesbank, in his determination to achieve Emu. This suggests Emu at any price, even if it means allowing others to use aimilar dubious accounting tricks, and an unstable succes sor to the D-Mark. That is not what the German population wants. The chancellor must now work to persuade his elec tors, and his European partners,

# Canada's vote

Something old is dying and government felt confident something new is being born," said Mr Preston Manning, leader of Canada's Reform party, just before Monday's fed-

The something that is being born, however, is a regionally fractured political system. The Canadian parliament elected on Monday will have five substantial parties, four of them heavily regional in support. Ontario, the largest English-speaking province, belongs to the Liberals. providing two-thirds of the new government's seats. Quebec is the fief of the "sovereigntist" Bloc Qoébecois. The west is in the hands of Mr Manning's populist Reform party, the east is the base of the Progressive Conaervatives. Only the leftwing NDP retains an even spread of national representation.

The risk is that this splintered politics will in time splinter the nation. The next Quebec refer endum on independence could well be called before the turn of the century. As Mr Manning's rancorous anti-Quebec election rhetoric showed, a "yes" vote in Quebec might not lead to amicable renegotiation of the relationship between English- and French-speaking communities, as the sovereigntists hope, but instead to vitriolic divorce.

That fate is not inevitable. There are some consoling signs in the election results, too. First, the fact that the Liberal in a united Canada.

enough to call it ahead of schedule is an indication of the success of its fiscal reforms. Though the Liberals did less well than they had hoped, they remain in power - an indication that the electorate values the government's achievements.

Second, though Mr Manning now becomes the leader of the opposition, he does so without a wider national constituency. Reform won no seats ontside the west: it did particularly hadly in Ontario. Mr Manning's rhetoric travels poorly.

brought themselves back from near-extinction, and played an important role in beloing the Liberals win seats in Quebec. Their charismatic leader, Mr Jean Charest, has promised to take a bipartisan approach to national unity alongside the Liberals.

Still Mr Jean Chrétien, the returning prime minister, has some tricky times ahead. He must run a splintered country despite a slander government majority and a dented credibil Ity. His approach to the national unity issue, undermined by the regional strength of Reform and BQ, requires a fresh start, Back in government, Mr Chrétien must discover the ideas and vigour lacking in his election cam paign. Otherwise, the something that is dying will be the belief

# Utilities tax

At the centre of the UK Labour roughly what the government government's first Budget on July 2 will be a retrospective tax on privatised companies which breaks important rules of fairness. In the next four weeks, Mr Gordon Brown, the chancellor, should seek to minimise the

At the time of privatisation, an implicit contract was made with ahareholders: that prices would be restrained by regulators, but investors could pocket the gains made from improved efficiency. If the Budget suggests that the new government cares nothing for such contracts, the cost of capital will be raised and incentives to be efficient reduced.

Moreover, if the tax is too large, or clearly discriminatory. it could be open to legal challenge – a bad start for Labour's efforts to make friends with industry. Mr Brown's first imperative ehould be to keep the tax as small as possible nearer to the £3bn needed to finance his welfare to work scheme than tha £5bn to £10bn which had been suggested.

Second, he must find a formula which shares the burden as equitably as possible. There are three main options for calculating the base for the tax: excess profits relative to a norm, total returns to sharebolders, or sharebolders' returns relative to a broadly based stock market index. The tion might achieve this. It is last has the merit of being rough justice, but all that Is transparent and of measuring available.

says it wants to tax.

However, a little shuffling of starting dates and methods of calculation can make the levy fall in very different ways. So it may be difficult for Mr Brown to argue that his scheme is not arbitrary or unfair.

For example, if the tax were based on relative total returns up to December 1995, the electricity companies would pay 60 per cent of the total, while British Gas and British Telecom would pay nothing. This reflects the fact that BT and British Gas were squeezed by their regula-

tors in the later years. But it might be thought fairer to measure excess returns in the first year after privatisation for every company. In that case, electricity utilities would be hit for only about 14 per cent of the total, compared with 40 per cent for BT and 10 per cent for British Gas.

Between these extremes. Mr Brown could pick a formula which spread the pain more or less as he liked. It is highly undesirable that a chancellor should determine retrospective impostes on individual compames with such precision. How ever, he has an electoral man dete to do so. His least bad option will be to let the burden fall evenly. A tax base of relative shareholder returns for three years after each privatisa-

# Surge of disagreement

Bruce Clark explains why a fierce battle is raging over how to deregulate the US's last great monopoly – the electricity market

f one believes the upbeat forecasts, the break-up of US electricity market: sparks are flying the last great monopoly in the beartland of capitalism should usher in a new world of cheaper energy and faster growth. But for every optimist, there is a Cassandra who warns that without careful handling, the deregulation of a US electricity market worth \$200bn (£122bn) a year could have dire social and financial consequences - particularly for big, old utilities. The one thing nobody doubts is that in some manner, the bracing wind of market forces will soon blow through a sector whose pricing, technological choices and customer base have long been closely controlled. "If consumer choice is good, and greater competition is good, we have a moral imperative to make it happen sooner rather than later," said Mr Tom DeLay, the Republican Congressman, when he presented a bill - one of seven proposals before the US legislature - that would allow retail customers to choose their power supplier in 1999. Even his toughest opponents insist that they too accept the need for the market. "The issue is not whether competition will happen," says Mr David Ratcliffe, a vice-president of Sonthern

> Island, lumbered with a nuclear legislators' hearts and minds: reflects a belief that state governpower station that was never used, charges can reach 17 cents. At the other extreme, electricity users in Idaho pay an average of 4 cents. Meanwhile, the latest gas-turbine technology has made it possible to produce power at a cost of 3.5 cents per unit and falling, even on a very small scale.

power producers and traders, outside the established utility net-Five etates bave already work, is competing hard in a fast-emerging wholesale electricity enacted laws calling for retail competition. Four more have market. Sales by independent completed public hearings on the marketers, boosted by a glut in subject and virtually all the othcapacity, rose eightfold last year ers have made preliminary

But what, if anything, should The price differentials are impressive. Average electricity prices in states such as New cess? The pace and scope of impose a uniform rate of change.

York are more than 11 cents a deregulation are the subject of a kilowatt hour, while in Long bitter and well-financed war for utilities for "states' rights" partly sion needs to be made for recoupsoid a sound deregulation has become utilities for "states' rights" partly sion needs to be made for recoupsoid and sound deregulation has become

Each side has assembled a coalition of lobby groups claiming to speak for producers, users and the general good. But the fault line is clear.

One camp, including big corporate consumers, a minority of utilities and the large Houstonbased gas and electricity company Enron, believe the federal government should mandate freedom of retail choice by a fixed partial alliance with trade unions and small consumers, have argued that local conditions vary Washington do to guide the pro- too widely for Washington to are developing proposals of their

ments will show a proper understanding of the issue of allimportant "etranded costs". These refer to about \$135hn in past investments, particularly in nuclear power, which were most challenging statement was guided by public policy but will become uneconomic under free market conditions:

utilities from passing on stranded costs to customers - a formula date. On the other side, a major- that would spell disaster for older ity of investor-owned utilities, in utilities, while benefiting newer entrants to the market not firms will increase in value as weighed down by past mistakes. they expand into regions cur-Administration officials, who rently closed to them."

. The DeLay bill would prevent

ing stranded costs - and they agree that state governments may be best placed to decide. in a position that older utilities will welcome, an official says: We are inclined to avoid setting a date certain for retail removing barriers to competition by making the necessary amend-ments to federal laws."

These include the Public Utilities Holding Companies Act of 1935, which makes it difficult for larger electricity groups to raise capital or diversify, and the Pub-lic Utility Regulatory Policies Act of 1978 which encourages the purchase of power from co-

generation units and renewables. The administration also wants to ensure the maintenance of "stranded benefits" - service to low-income and rural customers, and sound ecological practices which might not survive deregu-lation. While utilities will want to keep these obligations to a minimum - particularly in respect of renewables - they can probably live with them as long as the horror of a har on stranded-cost recovery is avoided.

logical battles over stranded costs lie ahead. Mr DeLay and other advocates of fast-track change, with no allowance for past mistakes, have drawn many of their arguments from a study published by Citizens for a Sound Economy, a Republican think tank. This predicted that deregulation would lead to a drop of "at least 43 per cent" in consumers' electricity bills, and a recurring gain in gross domestic product of 2.6 per cent, or \$191bu at 1995 prices. Mr Matthew Kahal, an energy

economist, won the approval of the opposing lobby with a rebuttal of the study, concluding that the projected \$191bn GDP gain

But perhaps the CSE study's its prognosis for the sector's finances, "Approximately 30 to 40 existing, publicly traded electric utility firms will suffer significant equity losses because of price declines when deregulation comes," it concluded. "A similar number of low-cost producing

# California has adopted a 'big bang' approach to deregulation, says Christopher Parkes Trend-setting state

alifornia, ever protective of its reputation as a trend-setter, has taken with relish to the notion of free

to 230m megawatt hours.

Company, one of the biggest of

the heavily regulated, investor-

owned utilities that supply 75 per

The number of investor-owned

ntilities, currently about 150,

could drop to 100 by early in the

next decade as companies merge

and restructure to cope with

deregulation, says Mr Jim Pierobon, an energy consultant.

Apart from the precedent set

by air transport and telecoms,

two factors are pushing the

power industry towards the mar-

ket: frustration among large,

industrial users over wide varia-

tions in prices, and the advent of

combined-cycle gas turbines that

have made it cheaper to enter the

A new breed of independent

generation game.

cent of US electric power.

Less than a year after the state legislature gave approval, the California Public Utilities Commission last month declared that the era of deregulated power HOTE YEAR.

phased approach, it said all markets should be deregulated at once. The only constraint would be the ability of the companies and the transmission system to cope with demand. . Some commissioners suggested

early rate cuts beyond the indus- switch suppliers. Industrial and scope of the state legislation, try's ability to deliver them. But they were persuaded that provi-sions in the legislation which require cuts of up to 20 per cent supply would start on January 1 in residential and small business users' rates by 2002 demanded Setting aside a proposal for a a much more adventurous

> preliminary assessment should be available by the end of to offer metering and billing serthis month when the state's seven investor-owned utilities, and the dozens of smaller municipal and co-operative providers, utilities. Even though their sta- previously generated and distrib-

At about the same time, the commission will draw up its ros-

ter of would-be power suppliers to the state market, together with a list of applicants seeking vices.

competition in tts \$20hn-a-year the "big bang" strategy might hope to have an idea of the num- tus as publicly owned operations electricity market. raise customers' expectation of ber of customers wanting to excluded them from the formal commercial users, some of which. they have been quick to respond. expect to reduce their power bills by up to 30 per cent, are capected to be first in line. Some, encouraged by prospective outside suppliers, started positioning themselves even before

> A milestone deal was siruck in January between the Northern California Power Agency and Enron, the aggressive Texan energy group. The agency, representing a clutch of small munici-So far, the most obvious activ- pal utilities with 700,000 customity has involved the municipal ers between them, had

uted all its own electrical power and supplied its customers with gas from Pacific Gas & Electric -the biggest utility in the state. . Competition from Euron, it

said, would belp reduce gas prices. A similar effect would result from Enron's links to cheaper electricity sources elsewhere in the west, while the agency's new partner would also help it modernise its billing and metering services. Thus Enron, which in the past

10 years has captured a 17 per cent stake in the US wholesale gas market and has a declared aim of a 15 per cent ahare of electricity, gained a strategic footbold in the country's most populous market.

# OBSERWER

# Northern exposure

Lord Moyne - Jonathan Guinness as was of the ... eponymus drinks family - has sade a barnstorming debut on the Scandinavian corporate stene. Virtually unknown in the region until a fortnight ago, his near \$87m spending spree has. made him a favourite topic of

lunchtime chat.
First there was the cash purchase - at a befty premium of a controlling stake in small Swedish investment company. Trustor. Then, this week, the acquisition of a dominant holding in Finnish sporting goods group Amer. ...

The deals both courted

controversy. The Amer

shareholders - four Finnish academic institutions - sold to Moyne in defiance of the board. triggering the chanman's resignation. At Trustor, Moyne has ruffled the feathers of institutional investors who feelhe has ignored their interests. A director of Gunness between 1961 and 1988, he has been largely out of the limelight since. Speculation is rife over his agenda. "Why has he suddenly descended on Scandinavia?" wondered one Swedish Investment hanker

Moyne says shoply that he has

identified a number of

opportunities to Scandinavia. He somets to having no experience of sporting goods but says Americal Resources - Desenses atrong brands. His sale esteem. appears not to have been denied, anyway. His statement to Amer reholders sale "the Lordhimself was considering becoming chairman of the board.

Hall of fame Hong Kong's new convention

and exhibition centre is a big 's place. But is it big enough? As the venue for the ceremonies marking the handover of the British colony to China at midnight on June 30, the harbour front building may see some delicate diplomatic manoenvrings because Britain the US and others are determined to avoid giving any hast of endorsing the territory's controversial Belling backed provisional legislatura

Hung Long's government in waiting has decided that the legislature, which will replace the existing elected chamber, is to be swotn in during the handover ceremonies. That noses something of a dilemma for British prime immister Tony Blan and Other western critics of the provisional hody. More than an hour's gan is scheduled between the n flag being lowered and the

departure of Prince Charles and Governor Chris Estient April the sport of his swearings of the sport of his swearings of the solution in the life for the first and allies for the barraine to souther of the sporter to the first sport of the

Dawn chorus Mew Zealand la hoping to cash in an those tourists who want to be first hato the next millennium lest are mwilling to

nulleiming net are navilling to venture on to any of the competing chimies of bacifie. Great rock which claim that the sub rises there first on Japany 1 200.

The seating contender is whitevery Pitt bland in the Chattama Shade, part of New Zeeland had 400 miles east of the main selants. It's act anoth of a place for purists, and assumptions will be feeling for speed with the Shade's by the place for speed with the Shade's to the bland's to the back to the place for speed with the Shade's to the back to the December 31 1988. Its main rived. December 31-1999: its main rival

So the people of Havelock North thought they deposit made when the New Zentand internal affairs intuistry said last weak that pearby Te Made Peak, would be the first maintain spet to see the dawn of the new That wasn't good enough for

hoed astronomer Roger ...

Randfirst who has used two.

Nass computer programmer to,
proporar Tricated, or Kalli Hill,
at Objects ito invitors.

Revelock North, as the recipion. of the first millennial rays. The of the first millennial right. The ministry size of the mount of the first in a full. We seemed after the light falls, on To Make and the argument is now in full swing. A lof of commencerive must and T since are rings in the concorner.

Pedat power

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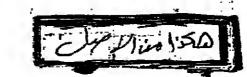
# **内部公共共享和国和**法院(1975年)

100 years ago Depression in Samso We regret to find that the francial deposition that manufacted stell in Samos in

Distriction in the second last year, and filled it has as jet subsent in sign of all stement. The support trade last sufferied only is secondly and it is learned that the purchasing power of the market will remain at a last control for some time to comes bathropics, is threatening the traders and stockingers, and the uniquiposite natives are driven to beek some from the nelotious month organ. A foreign Office report sociately analytices that from these that uniques a subsense in these that uniques a subsense. 1895 because more actite last

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Dominion Office To Inche. The British Government Intends to introduce. Intende to intraduce installation for the present sendon for the transfer of newer in India fine year on a Donnolog basis to one on two successor authorities. This was displosed by Mr. Atles, the Prince Admistra, in the House of Countries, vestinday, Mr. Atles fold the House in Countries.





# FINANCIAL TIMES

Wednesday June 4 1997



Election exposes deep regional divisions

# Canada's Liberals win five more years

By Bernard Simon in Toronto

The Liberals have secured a second five-year mandate to govern Canada - but the electorate has cut their majority and exposed the country'e deep regional divisions.

The ruling party won 155 out of 301 seats - down from 177 seats in the previous election in 1993 - after a poll that gave all the main parties, with one exception, cause for both celebration and contemplation. Some strategists said Mr Jean Chrétien, Liberal leader and prime minister, could face a challeuge from his own party.

The Reform party, whose stronghold is the western provinces of Alberta and British Columbia, emerged as the official opposition in the House of ns, boosting its representation from 52 to 60 seats.

Reform's populist platform, which included a hard line against Quebec nationalism and pledges to cut taxes and abolish gun controls, failed to sway voters in Ontario, one of its main targets, and the party ing in by fewer than 1,600

By John Burton in Seoul

ment-backed committee.

watchdog.

influence curbed under plans

tabled yesterday by e govern-

The financial reform com-

mittee proposes to grant inde-

pendence to the country's

central bank and transfer the

ministry's supervision of the

financial sector to e new

bettle between the finance

ministry, which will draft the

month, and President Kim

President Kim endorsed the

reforms when he appointed

the panel in January. But

corruption scandals may have

undermined his ability to

push through changes against

an entrenched bureaucracy

which has controlled the econ-

"consigned President Kim to a

relatively passive role for the

The plan sets up e bruising

did not capture a single seat votes. Mr Chrétien, whose east of Manitoba. The Progressive Conserva-

tive party, which held office from 1984 to 1993 but was reduced to two seats in the last election, staged e modest comeback with 20 MPs. Political observers were unsure whether the Tories' performance would be sufficient to attract funds and volunteers over the next five years.

The secessionist Bloc Québécois was reduced from 54 to 44 MPs, but captured more seats than many observers had expected after a gaffe-prone campaign. The social demo-cratic New Democrats won 21 seats, up from nine in 1993.

Mr Chrétien called an early election saying he wanted a fresh mandate to take Canada into the 21st century. But he is widely perceived to have run a lacklustre campaign, offering few fresh ideas.

His own constituency in rural Quebec was one of the tightest races in the country, with the prime minister scrap-

S Korean president faces

battle for finance reforms

remainder of his term", which

ends early next year, said Mr

The commission's most con-

troversial proposal is to give

the central bank autonomy in

setting monetary policy

instead of being subject to the

political influence of the

bank independence would

financial policies, while

improving prospects for stable

prices through e monetary

policy freed from political

considerations. The central

bank hes long fought e

bureaucratic war against the finance ministry in trying to

Although the ministry is

expected to oppose the pro-

posal for central bank inde-

pendence, it has accepted the

commission's recommendation

gain autonomy.

Securities in Seoul.

Sonth Koree's powerful Yoon Yong-chul, banking finance ministry could see its anelyst for SBC Warburg

political career spans more than three decades, gave no indication yesterday of step-ping down. But one Liberal strategist said: "His position is weakened. It would be surprising if there weren't some grumblings and mumblings."
The Liberals' second term is

expected to be dominated by Quebec separatists' plans for another independence referen-dum, and by a debate on fiscal strategy after the federal budget is balanced, probably in

Financial markets gave the election results a muted reac-tion, with the Canadian dollar virtually unchanged and bond prices slightly lower.

Mr Mark Chandler, econo mist at Goldman Sachs Canada, said relief at the Liberal majority was tempered by its slim margin of victory and by the Reform party's outspoken stance on Quebec.

Populist ready for the limelight, Page 6; Editorial

that it should create a finan-

cial watchdog to replace three

separete bodies currently

overseeing banks, securities

The new supervisory board

will report to the prime minis-

ter instead of the finance min-

istry, at present responsible

The panel, however, bowed

conglomerates greater control

Some analysts believe the

improve the management of

the ailing banks, which are

saddled with large bad debts

because of corporate lending

decisions dictated by govern-

to a 4 per cent individual

shareholding in the main

banks, to prevent them from

further increasing their con-

siderable economic power. The

panel decided to maintain the

Conglomerates are limited

ment bureaucrats.

4 per cent ceiling.

groups could

houses and insurers.

for such regulation.

finance ministry, which has to pressure from the finance

often emphasised economic ministry in screpping a

growth et the expense of proposal to give Korea's big

industrial

Analysts believe central of the main banks.

# World learn from burger bars

James Wolfensohn, president of the World Bank, is sending 300 of his top managers to business school to learn to think more like Burger King

Mr Wolfensohn, who won board approval this year for a far-reaching investment and restructuring programme to improve the bank's operations, said the training was part of his efforts to change its

He wants the bank to become less preoccupied with how many loans it approves and more concerned with how much its projects help improve conditions in the developing countries which are its

"They [the managers] never knew the bank was so much like Burger King, facing the same problems of improving the effectiveness with which it serves its clients," Mr Wolfensohn told an audience of senior commercial bankers in the Swiss resort of Interlaken

groups of 15 on six-week management training courses devised by the universities of Harvard and Stanford, and the Kennedy School of Government. The courses will bring the managers together with executives from industry, finance and government organisations in developing countries.

problem in changing the World ment culture lay not just at

on, the World Bank had removed 150 line managers from their jobs and made them reapply, either for their own jobs or for positions elsewhere in the organisation,

are not getting jobs. Others who are comers are getting jobs," he said.

The World Bank's restructuring will add \$250m to its running costs between now and 2001. Its aims include shifting resources from administration to front-line operations, developing new cal expertise of staff and decentralising activities to

Mr Wolfensohn admitted the transformation would be difficult. "To change a bureaucratic organisation into one that is client-orientated is not an easy task."

# Bank sends managers to

culture.

yesterday. Managers are being sent in

The training course ls rounded off with e seventh week spent in the field, "not in e hotel but living in a slum with e non-governmental organisation".

Mr Wolfensohn said the real Bank's entrenched managethe top but in the "marshmallow middle" To tackle the problem

"Some people who are icons

services, boosting the techniclient countries.

### THE LEX COLUMN

# Buba wins the gold

By defusing its golden bomb, Germany has given monetary union back some much-needed credibility. The government's retreat in the row over revaluing Germany'e gold reserves is a victory for the Bundesbank and points to a tougher monetary union - one in which none of the participants can cook their books. This is certainly what lifted European bond and stock markets, as well as the D-Mark, yesterday. But Germany still has a problem. Without the extra "profit" from the gold reserves, it has virtually no chance of hitting the Maastricht criteria in 1997. And time is running out: even if spending cuts or tax rises turned out to be politically feasible, there are only six months left to fill a hole in the budget that

could be anywhere between DM10bn (\$5.8bn) and DM20bn. A delay, unthinkable until recently, is therefore starting to look more likely. If monetary union were to be decided on 1998 figures, Germany should qualify - perhaps even without use of the gold profits, which would by then have passed over to the government. Certainly it should be able to demonstrate convergence towards Maastricht, allowing Chancellor Helmut Kohi to enlist the Bundesbank'e help to sell

the euro to the German people. Even a postponed Emu, however, would probably still have to be a broad one, not least given the attitude of France's new government. And of course, just a brief delay would still not be long enough for the labour market shake-up a workable Emu badly needs.

### French privatisation

Has the juicy French privatisation programme really been stopped dead, or is it just likely to suffer a brief post-election hiccup? The Socialists' hostile rhetoric has been conspicuously vague on detail. Yet the small-print promise of pragmatism provides optimists with plausible grounds to conclude all is not

Their best argument is financial. There are mouth-watering sums et stake. True, privatisation proceeds Telecom would surely put e quesits pension fund transfer as conveniently cutting the public deficit. vulnerable period will be over. Then there are the likes of Crédit Lyonnais, GAN or Thomson Multi-tive threats. One-2-One, the smallest

FTSE Eurotrack 200: 2370.6 (+15.2) IN CRE

media, where privatisation is the only obvious answer to the busi-nesses' seemingly endless capacity to drain state cash. In unloved cases such as these, it is difficult to see ideology triumphing over expe-

diency for long. The pity is that the better argument for privatisation - that it will be good for the business concerned is far less likely to count. Consider the case of Thomson-CSF, which is crying out to be privatised and play a full part in the restructuring of Europe's defence industry. The snag is that where economic logicians see "restructuring potential" from setting such a business free, the new government will quite rightly see gruesome job

### Vodafone

Vodafone bas come through e tricky year in pretty good shape. Like a captain moving his men through a narrow mountain valley, the process of shifting Vodafone's UK business customers from its analogue network to its digital one was always going to be dangerous. Enemy mobile groups stood ready to pick them off.

But, in practice, Vodafone has managed to hang on to the lion's share of its best customers. This has not been cheap: £52m (\$84.8m) do not help with the Maastricht def- had to be spent last financial year icit criteria - but even from that to subsidise handsets for customers narrow perspective, a decision to making the switch to digital. Furebort the partial sale of France ther expense will be incurred this one from which value is leaking as year, because the migration process tion mark over the decision to treat is not yet complete. But, thereafter, the costs will drop out and the most

There are, of course, still competi-

UK mobile phone group, is getting lis act together. Vodafone may eventually need to respond by cutting prices. But One-2-One does not seem intent on launching an all-out price war; none of the market'e four competitors has an interest in cut-ting its own throat. While the heady growth of previous years has abated, there ehould be enough to keep UK profits on a modestly ris-

ing curve.

Meanwhile, Vodafone's foreign operations are rapidly swinging into profit. Last year's maiden £10m operating profit should be followed by over £100m this year and £200m next. With such an outlook, the shares, which trade on around 20 times current-year earnings, do not look expensive.

### Racal Electronics

Racal is up for sale. Oh no it isn't, Sir Ernest Harrison, Racal'e veteran chairman, is adament that there is value hidden in the underperform ing electronics group and promised yesterday to stick around until he finds it. How he will do so is rather less clear. Some of Racal's mixed bag of telecommunications, defence and data products businesses could be sold, joint ventured, even floated in the US; others might more sensibly be grown internally, or et least sorted out before disposal. But which business will be blessed with which strategy remains a mystery though teams of highly paid investment bankers are on hand to help Racal's managers make up their

They might look at the stock market instead. The message from e share price that has underperformed by a third over two years is that investors are uncomfortable with Racal's management running anything, let alone a group of high-tech businesses in rapidly changing markets. The one ray of light after three profit warnings in six months has been the hope of a rapid break-up of the group. While sumof the parts valuations range widely from 188p to 330p, most suggest an uplift from yesterday's 235p share

The first step from here to there is to find a partner for telecoms services, Racal's best business, but competition increases and margins decline. Until Racal manages the shares are best avoided.

Additional Lex on Amstrad.

# Investors shun Bakun dam issue

Continued from Page 1

omy for 35 years.

The scandals

the money raised from Ekran's rights issue, M\$660m is to partfinance its subscription for a 32 per cent stake in Bakun

launch its IPO late in July. used to repay borrowings made to finance the acquisi-tion of Wembley Industries Holdings, an Ekran subsidiary.

aunch its IPO late in July. per cent return on equity after
A further M\$278m will be it starts generating in 2003 is too low to justify its M\$13.6bn construction cost. Scepticism was evident last month when 54 underwriters were needed Hydroelectric, the dam opera- Critics of the dam say the to support Bakun Hy tor which is expected to 2,400MW venture's projected 12 tric's forthcoming IPO. to support Bakun Hydroelec-

FT WEATHER GUIDE

**Europe today** Sunny periods will prevail across Germany. France will start off with abundant sunshine, but the south-

west will become increasingly cloudy by afternoon, followed by showers and thunder storms. More rain with some strong thunder storms are

expected in eastern Portugal and much of Spain. Italy will stay dry with mostly clear skies although scattered cover is likely over the Apennines. Greece will also be sunny, but the Balkans can expect cloud with showers and the possibility of thunder storms. In Turkey scattered afternoon thunder storms are possible.

### Five-day forecast

Showers and thunder storms will spread across France, and even to the Benefux countries by Friday. Cloud and widespread rain or thunder storms are also expected over much of italy during the next few days. By the weekend most of these showers will have moved across to the Balkans.

TODAY'S TEMPERATURES



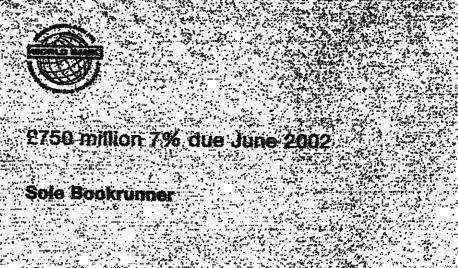
Lufthansa

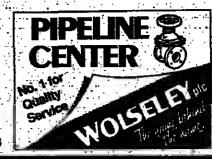
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More and more experienced travellers make us their first choice.

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Nicosie
Oslo
Pafris
Perth

Rangoon
Reykjavik
Rome
S. Fisc
Seoul
Singapon
Stratsbou
Sydney
Tangler
Tol Aviv
Tokyo
Toronto
Venocae
Venocae
Warsaw
Wasalang
Wellingto
Winnipae
Zurich





### IN BRIEF

# **CNN, Oracle link** for Internet news

Cable News Network is to announce a joint venture with Oracle, the database software company, to create a "personalised" news service on the internet. The CNN service will be the most sophisticated of its kind, providing users with text, graphics and video news reports according to their interests. Page 17

Hilton's Interest in ITT wanes Hilton Hotels, waging a \$6.5bn bostile bid battle for the rival ITT hotel and casino group, showed signs of losing interest in the fight after it emerged that ITT was entertaining offers for some of its prime hotels. Page 18

Enron and Enel plan electricity venture Enel, the Italian state electricity group, reached a tentative agreement with Enron, the Texas energy group, to form a L5,000bn (\$2.94bn) joint venture to compete in the Italian and European electricity markets when they are deregulated in 1999. Page 15

Humana to buy Physician Corporation Humana, the US managed-care provider, has agreed to buy Physician Corporation of America in a deal valued at \$400m. As part of the offer, Humana will taka on \$130m in debt. Page 18

Thai water utility set for \$50m IPO Thailand will test the market for water privatisation in Asia this week as East Water, a government water distributor, attempts to become the first private water provider in the region. The company is launching a public share offering worth at least \$50m. Page 16

Transformer may cut electricity costs The cost of electricity for industrial users could be cut by millions of dollars a year as a result of a transformer being developed by Hitachi of Japan and AlliedSignal of the US. Page 16

Financial income lifts Carlsberg A sharp increase in financial income boosted pre-tax profits at Carlsberg, the Danish brewery group, from DKr741m to DKr870m (\$132m) in the six months to March 31, Page 15

### Companies in this issue

Aerospatiale	14	Hilton Hotels
Aleetra	17	Hitachl
AlliedSignal	18	Hoechst
Alphatec	16	Hollinger
American Airlines	14	Humana
Amstrad	19	IMR
Anglian Water		ITT Sheraton
Anglo American	14	Intel
Avantel	17	
BG	30	Kirch
BSkyB	8	Kobe Steel
Bank Austria	14	Lyonnaise des Eaux
Bell Atlantic	8	MEPC
	2	Matsushita
Bergmann K und L	_	Mitsubishi Aluminium
Bristol-Myers Squibb	18	NEC
British Airways	14	NTL
Cable News Network	17	Nat Bank of Greece
Cabletron	17	National Grid
Cadbury	13	Nippon Credit bank
Cadbury Schweppes	8	Nynex
Carlsberg	15	Oracle
Carlton	8	Paliburg Holdings
Cheung Kong Holdings	7	PepsiCo
Coca-Cola	13	Philippine Gold
Commerzbank	2	Phillips
Compagnie de Suez	14	Physician Corp.
Cosco	18	PolyGram
Dalmler Benz	8	Prudential
Daimler Benz	2	Racal 8, 12, 20,
Delry Crest	18	Rhône-Poulenc
De La Rue 8 20,	30	SKF
Deutsche Bank Fin	22	
Deutsche Bank	2	Seagate
Dresdner Bank	2	Seagram Siemens
EMI	14	
East Water	18	Sony 14, South West Water
Eastman Kodak	14	Southarn
EdP	15	Swiss Bank Corp
Ekran	1	Telia
Elec de France	22	Telmax
Endesa	14	
Enel	15	Toyota TransCanada PipeLine
	16	Unisource
Ford Motor Credit	22	
Fuitsu	8	Cintot Cuinton
P	8	Viacom
GTech	18	
Global One	8	Wal-Mart
Granada	-	
Grundla	14	Warner .

### Market Statistics

Bond futures and option Landon share service Managed funds service New Intl bond Issues EMS currency rates Bourses Recent issues, UK Euroband prices Fixed Interest Indices Short-term int rates FT/S&P-A World Indices 30 US interest rates FTSE Gold Mines index

Chief	price (	cha	nges yes	terc	la	у
FRANKFUR	T (DSB)		PARIS (FFr)			
Rises			Rises			
Kall & Salz	182.5 +	113	Accor	549	+	53
MAN	508 +	12	Carrel Plus	997	٠	
SGL Carbon	258.5 +	7.5	Hances Advert	631	+	
Fadia			Legrand	995	٠	57
Backgrounds	510 -	11	Settopeg	424	+	25
DLW	171.B -	32	<b>Falls</b>			
Holzmann	491 -	17	Sanofi	499.3	-	14,7
NEW YORK			TOKYO (Yes)			
Rises	100		Mises			
Force Inti	5314 +	21.	Kaneka	726	٠	
SGL Corton	514 +	2%	Toshiba Mach	425	+	22
Suiza Foods	33% +	2	Falls			
Falls	997. +	-	Derical	770	-	24
Bay Network	2214 -	2%	Rollo Mora	915	-	25
Capieton	30%	15%	Nacasakiya	380	-	18
September Tech	38¼ -	376	Sacrio	836	_	19
LONDON P			HONG KONG	CECS)		
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	92% +	17%	Chine Luth	42.8	+	1.2
Kapaninana Kapaninana	324 4	10-1	China Mir Bus	79.5	٠	15
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De La Rue	267%	73	Hago Seng Bk	91.5		1.75
038S \$100M		20	Henderson Lind	74.5		22
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Piecs	11.0 +	1.0	int Far Bast	25.0	+	2.25
Harris Sti B	11.0 + 8.1 +	10	Lam Scon	16.5	÷	15
Metroweris		0.8	Yanathai Chem	20.75		1.75
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Falls		0.37	Rangksk Linian	20.25		2.25
Reddord Cap B	208 -	4.37	DESTRUCTION OF THE	هبين	-	-25

# Unisource partners to strengthen ties

THE FINANCIAL TIMES LIMITED 1997

Telecoms alliance's move comes as co-founder departs

Unisourca, the alliance of European telecommunications operators shaken by the defection of a key partner last month, moved yesterday to tie the remaining members more

tightly together. The partners, KPN of the Netherlands, Telia of Sweden and the Swiss national operator, said they intended to merge their carrier aervices operations into a \$2bn turnover pan-European wholesaler. Carrier eervices gronps aell

ity to other operators. Mr Paul Smits, Unisource ing networks created 8 more president, said the move had stable organisation, Mr Smits

been under consideration for said. some time but had been precipitated by the decision of Telefónica of Spain to switch last month from Unisource to Concert, an alliance of British Telecommunications and MCI

Unisource is one of a small number of alliances hoping to benefit from European telecoms bberalisation on January 1 1998. It is the European partner of AT&T, the largest US Partnerships involving by talk of instability. This will

wholesale transmission capac- exchanges of equity wara not be improved by news that source executiva said his fairly simple to undo - merg- its co-founder, Mr Ben Ver- departure would not affect the waayen, president of PTT Telecom, the Dutch national operator, is to take a top post at Lucent Technologies, the larg-

est US telecoms manufacturer. Mr Verwaayen was chairman of AT&T-Unisource in addition to his responsibilities at PTT Telecom. He has been as tha driving force behind Unisource. But a Unialliance: This is more of a blow for PTT Telecom than for Unisource," he said.

Mr Verwaayen, 45, has been made president of Lucent's international operations and will direct foreign strategy and operations virtually everywhere outside North America.

and was "afraid of becoming part of the furniture". He had been assured by Mr John Wal-ter. AT&T'e chief operating officer, that AT&T-Unisource did not depend on individuals. Mr Rich McGinn, Lucent's chief operating officer, said be had recruited Mr Verwaayen to help the company realise its global ambitions. "He has an acute business mind and understands tha customer issues and the global perspective of the business, McGinn said.

Japanese

by rivals

By Gwen Robinson

tion of Japan.

insurers hit

on pensions

Japan's biggest life assurance

companies manage fewer cor-

porate pension fund assets

than they did a year ago,

according to data compiled by

the Trust Companies Associa

The decline, the first in 30

The sector, dominated by

the top 18 life companies, saw

its assets under management

fall 8 per cent to Y15,698hm

(\$134.75bn) in the year to

March 31. By contrast, Japan's

trust banks increased their

share of corporate pension

years, reflects increasing com-

# Wal-Mart to control Mexican retailer

in Mexico City

Wal-Mart, the world'a largest retailer, yesterday announced it would purchase a stake giv-ing it majority control of Cifra, the Mexican retailer, in a deal worth \$1.2bn.

The deal, which builds on a joint venture launched in 1991. comes at a time when two other US retailers - Kmart and Sears - have withdrawn or reduced their presence in the Mexican market. With overall retail sales in Mexico still at only three-quarters of the level reached in 1994, hefore the peso crisis. Wal-Mart emphasised that it was not looking for a quick profit.

"Wal-Mart's outlook in Mexico has always been long term." said Mr Les Kaplan, a company spokesman. He noted, however, that the company's Mexico operations have produced a positive cashflow in the past few months.

"It is an excellent opportunity to diversify," he added, referring to Cifra's restaurants and department stores, which Wal-Mart had been thought

By Richard Tomkins

John Willman in London

Atlanta-based Coca-Cola, tha

world's biggest soft drinks

company, is trying to push

Cadbury Schwappes, the UK group, out of thousands of

McDonald'a fast-food outlets in

Coca-Cola confirmed it had

offered McDonald's franchisees

one-time gifts of between 200

and 600 gallons of soft drink

syrup if they would agree to

serve only Coca-Cola products

the US, it emerged yesterday.



Strengthening its southern front: Wal-Mart, the world's biggest retailer, has paid \$1.2bn to take a controlling stake in Cifra -

their restaurants. allowances" were part of nor The segment is dominated by per, which has 14.8 per cent of

April that Wal-Mart was seeking to acquire an equity stake Under the terms of the agreement, Wal-Mart will exchange its stake in the joint venture for Cifra common stock. Pending shareholder approval, the

an important market for prod-

ucts made by Dr Pepper/Cad-

bury Schweppes North Amer-

ica, Cadbury Schweppes' US subsidiary. These include Dr

Cadbury Schweppes, number

three in the US soft drinks

business, said it had already

matched Coca-Cola's offer and

would take all possible steps to

protect its market - including.

Coca-Cola said "conversion

if necessary, legal action.

been in discussion for most of outstanding Cifra shares at Arango family, which has con- where Cifra has more experithe year and it emerged in between \$1.89 and \$2.03 a

Wal-Mart's fresh investment in tha Mexican company. is expected to come to a total of \$1\_2bn\_

Before the acquisition is completed, Cifra will pay a \$300m dividend to its existing shareholders. Half the shares US company will purchase a are publicly traded, while most further 12 to 13 per cent of of the rest belong to the

Coca-Cola acts to oust competitor at McDonald's

Fast-food restaurants are

soma of the most important

outlets for soft drinks in the

US. Soft drink companies sup-

water and gas to make fizzy

According to Beverage

Digest, an industry newsletter which reported Coca-Cola's

move, fountain sales account

for 22 per cent of the US car-

bonated soft drinks market.

US-soft drinks industry.

Pepper, 7UP, Canada Dry, ply the restaurants with syrup, Schweppes, A&W and Sunkist. which is then mixed with

drinks.

trolled the company since its ence. The US company also creation, 40 years ago.

The existing joint venture ment expertise to expand else between the two companies controls 145 stores and restaurants in Mexico Cifra independently manages a further 228 stores and restaurants.

Wal-Mart said its purchase

60 per cent of fountain sales.

partly from a handsbake

agreement with McDonald'a

under which it is exclusive

supplier to the company's 1,800

restaurants in the US. Bnt

another 9,500 McDonald's res-

choose their own suppliers.

Many franchisees already

buy only Coca-Cola products.

but others supplement them

with those supplied by Dr Pep-

taurants are owned and operated by franchisees, who may

Coca-Cola'a position stems

hopes to use Cifra's manage-

where in Latin America. Although some analysts said Wal-Mart was paying a hefty premium, tha markets wal comed the deal. By midday Cifra C shares were up 2 per was an opportunity to expand cent at 12.74, while Wal-Mart

funds by 14.3 per cent over the period, and foreign companies also made inroads. Competition is intensifying. partly as a result of deregu-

> In April last year the Life Japan cut the leval of the guaranteed annual return offered by fund managers from 4.5 per cent to 2.5 per cent. Life companies lost busi-

Nempuku, which manages tor pension fund assats. reduced the amount of funds it places in the so-called "fixed 9 per cent, greatly influencing smaller pension funds.

The fall in Japanese interest rates and declining yields on investments including equity holdings, has also hit the life industry, depressing returns.

The sector's problems were highlighted last month by the collapse of the Nissan Mutual

### **Barry Riley**

# The hard choices if the euro turns soft



fund managers bava baen enjoying a good run for relative performance, hut auddenly the main foundations of this prosperity - dollar strength and the European convergence strategy - are being called into

The latest global fixedincome performance analysis from Frank Russell abows outperform the global bond indices in the first quarter. The Salomon Brothers World Government Bond Index has been especially easy to beat over the two-year period to March, with the median manager adding nearly 4 per cent a year in performance. The J.P. Morgan Global Govern-

slightly tougher benchmark over this period. There is a danger of benchmark obsession, bowever. In the first quarter actual total returns in dollars were negative as bond yields generally rose. Perhaps clients should look harder at their absolute risks, given that 10-year yields in the core European markets are still below 8 per cent.

in playing the relativity game, however, the bond fund industry can legitimately hope to exploit the obvious inefficiencies that persist in the global market. Thay hava beavily onderweighted Japanese government bonds, for instance, which were plainly getting riskier as yields dipped towards 2.1 per cent at the start of the current quarter.

Many global bond funds have nothing at all in Japan, although JGBs account for about 15 per cent of the J.P. Morgan Global Government Bond Index. More than half have nothing in France, whera yields are artificially low because of domestic life assurance tax breaks. (A full waighting would be 8 par cent.) There has seemed no reason not to pick up 15 or 20 basis points of yield by investing in German bunds instead

That portfolio preference has

brought fund managers a per-

formance bonus relative to the In playing the relativity game the bond fund industry can hope to exploit inefficiencies in the ment Bond Index was a global market

benchmark in the past week or two as the Socialists have moved back into power (or cohabitation, anyway) in France. The spread is now down to 11 basis points. The broader question, however, is wbether heavy exposure to Europe (43 per cent in terms of the index) has become counterproductive. March-to-March, the total return on bunds in

dollars was minus 7 per cent. European monstary union seems to be collapsing under the weight of its economic contradictions. With the Germans struggling to meet the straightforward Masstricht criteria, the looming choice is yield less, but gilts may be between a soft, all-embracing coming in from the cold.

anthusiastically tonting Greece as the "last convergence play". No wonder tha Bundesbank finally decided to stand and fight on the gold revaluation plan. Yesterday's news of a modified fiscal pack

age steadied the markets. Somewhat paradoxically, as the dollar strengthened, tha yield spread between US Treasuries and German bunds climbed through 1996 and early 1997 to 100 basis points (and is still some 90 basis points). The economies of the two are, of course, at different stages of their cycles; but the justification for such a yield relationship must be questionable if Emu is to be based, as the French Socialists seem to insist, on the priority of reining in the competitiveness of Italy and Spain rather than on price stability and sound pub-

lic finances. Already, global bond fund managers have been jolted by month of the dollar against the yen. That will have cost most of them performance against the benchmark in the current quarter. In Europe, too, the potential now exists for violent movements in government bond and currency markets as the euro drama progresses.

The post election surge in UK gilts has bean another important second-quarter feature. The Bank of England's new monetary policy commiton Friday to show its teeth and impress the bond markets. Italian and Swedish bonds still

# The 3 largest buyouts in Continental Europe

ket, behind Coca-Cola, 43.1 per

cent, and PepsiCo. 31 per cent. Coca Cola is telling McDonald's restaurant owners

they do not need to offer Dr

Pepper products because it can

match them with its own

range. The free syrup it is

offering is enough to make

30,000 to 90,000 drinks per res-

taurant, representing a big

profit opportunity. Cadbury Schweppes said it was incur-

ring costs in the "low millions

of dollars" to match the offer.

# Geberit **Impress Metal Packaging**

What do they have in common?

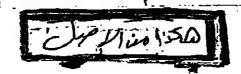
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# Full sell-off of Bank Austria faces delay

By Eric Frey in Vienna

The planned full privatisation of Bank Austria may be dalayed until well into the next century following the revelation yesterday that Germany's Westdentsche Landesbank, which already owns 10 per cent in Austria's largest bank, has a right of first refusal to shares controlled by the city of Vienna.

News of WestLB's option sparked a heated row between the Social Democratic and the conservative domestic control.

announced plans to shed

Universal, a subsidiary of

Seagram, the Canadian

entertainment group, has

long been the smallest of the

multinational music groups.

since its acquisition by Sea-

People's parties, which govern together at the national level and in the capital. It is the latest in a series of political battles over bank privatisation in Austria.

The People's Party wants the laft-led Vienna government to unload a 45 per cent ataka in Bank Austria worth about Sch20bn (\$1.65bn) - that is held by AVZ, a foundation controlled by the city authorities. However, it also insists that Bank Austria remain under

takeover by Bank Austria of the government's 70 per cent stake in Creditanstalt, the country's second-largest bank, which was traditionally close to the conserva-

tion that Bank Austria was

fully privatised. Last month, the coalition in Vienna agreed to sell all Bank Austria shares over unless WestLB renounces its right, a sale of the AVZ reversed. This was rejected

bank's option expires and a lor, and dismissed as techni-Austrian buyer can be

WestLB took tha option when it acquired its existing Bank Austria stake in late tives, only on the the condi- 1995. The People's Party claims it was misled by the bank's management, which kept tha option secret.

Mr Hannes Farnleitner, economics minister, yestertha next aix yaars. But day demanded that the Creditanstalt sale should be

Earlier this year, the shares is unlikely until after by Mr Viktor Klima, the could be hurt by the pros-People's Party agreed to the 2001, when the German Social Democratic chancel- pect of further share offercally impossible by banking

experts.
The Social Democrats and Bank Austria will certainly be happy about any delay in the sale of the AVZ shares. The bank is planning a Sch3bn rights issue later this month and the federal government hopes to unload lts 19 per cent stake in Bank Austria before the end Sch8.Sbn. These placements

Mr Michael Haupl, Vienna's mayor, said he would prefer the city's ataka to wither away, as AVZ would not participate in a share swap for Creditanstalt minority shareholders in the autumn and in future capital

But for the People's Party. the AVZ shares are a symbol of excessive influence by the

EUROPEAN NEWS DIGEST

# Grundig admits to deeper losses

Grundig, the troubled German electronics company, yesterday admitted to a bigger loss last year than had been previously estimated. It blamed extra costs ssociated with its separation from Philips, the Dutch electronics group. Philips cut Grundig adrift in January, relinquishing management control, after heavy losses at the German company which the Dutch group was obliged are litter

up rise ir

lal incom

Grundig said it recorded a net loss of DM631m (\$366m) in 1996, higher than the March estimate of DM553m, and which it expected Philips to pay. The 1996 shortfall followed a DM598m loss in 1995. Grundig said that since March, a further DM78m in costs had been incurred in connection with the separation from Philips. This took total restructuring costs in 1996 to DM265m Graham Bowley, Frankfur

### BA/AA decision delayed

Mr Karel Van Miert, the European Union competition commissioner, yesterday said the Commission was unlikely to give its verdict on the proposed alliance between British Airways and American Airlines until after the August holiday. The controversial deal has been on ice for a year, waiting regulatory approval from British, EU and US competition authorities.

Recent co-operation between the new British government and the Commission, as well as a cordial meeting on Monday between Mr Van Miert and Mr Robert Ayling, BA's chief executive, raised expectations that the Commission would rule on the deal before the summ break. But the Commission will have to consult a committee of national competition officials on the alliance, so a final recommendation is likely to be Emma Tucker, Brussels

### Endesa in share split

Endesa, Spain's leading power group, yesterday became the latest Spanish company to propose splitting its shares to make itself more attractive to small investors. The four-for-one split, reducing the nominal value of Endesa's shares from Pta800 to Pta200, comes ahead of a

privatisation offering this autumn in which the state is set to sell up to half its 67 per cent stake in the group. The split is aimed at ensuring that a large part of the offering - which at current market prices would be worth up to Pta980hn (\$8.7bn), Spain's largest - is placed with retail investors, widening the group's shareholder base. Endesa'a shares closed yesterday at Pta11,260, a rise of 1,8 David White, Madrid

# Suez-Lyonnaise gets go-ahead

The European Commission will today approve a merger between Compagnie de Suez and Lyonnaise des Eaux, the two French companies, according to Mr Karel Van Miert, the competition commissioner.

He said that by offering to sell Lyonnaise des Eaux's 49 per cent stake in a Belgian waste management company, the new company, to be known as Suez-Lyonnaise, had produced an acceptable remedy to the only potential competition problem raised by the merger. Emma Tucker

### SBC launches green funds

Swiss Bank Corporation has launched two investment funds enabling investors to buy shares in "ecologically sound" companies, joining a growing number of financial institutions creating "green" investment vehicles.

The bank has developed criteria for ecological including Mr Ernst von Weizsacker and Amory Lovins, co-authors of Factor Four, which sets out how industry can increase profits by making more efficient use of energy and materials.

The SBC Eco Performance Portfolio - World Equities is being offered until June 13 at SFr500 a unit and is subject to an issue fee of 1 per cent and 0.165 per cent in Swiss turnover tax. Over the same period, SBC's AST investment foundation is offering a fund called "Aktien Welt Oeko-Performance" for SFr1,000 a unit.

# Rhône-Poulenc joint venture

Rhône-Poulenc, the French chemicals and drugs group, plans to sell 50 per cent of its French chlorine, soda and bleach production and marketing operations to LaRoche Industries of the US for an undisclosed sum to create a

The move is in line with the French company's strategy of focusing on speciality chemicals activities, which are seen as less sensitive than base chemicals to economic cycles. The activities in question have an annual turnover of between FFr500m and FFr600m (\$86m-\$103m). David Owen, Paris

### Socata chief resigns

Mr Jean-Marc de Raffin-Dourny has resigned as chairman of Socata, the light aircraft manufacturing subsidiary of Aerospatiale, tha French state-owned aircraft, space and defence group. He will be replaced by Mr Philippe Debrun, chairman of Revima, the Aerospatials controlled aeronautical maintenance specialist, No reason for the resignation was given.

# **PolyGram keeps first place in music sales**

By Alice Rawsthorn

side the US. Another catalyst for tha PolyGram consolidated lts position as the world'a largincrease in Universal'a firstquarter music sales was a est music company in tha series of best-selling albums first quarter of this year, while Sony and Warner both from acts aigned to Interscope, the US label, in which lost market share, according to the latest issue of Music & it has a 50 per cent stake notably No Doubt, the US Copyright, the FT newsband, and Bush, the British group. But despite Univer-EMI which last week

staff in North America, also than other multinational music groups. increased sales. PolyGram, part of Philips, By far the fastest growing the Dutch consumer elecmusic company during the quarter was Universal Music, whose music sales tronics concern, saw music aales rise 9.4 per cent to rose 61 per cent to \$367m. \$1.01bn in the first quarter,

the new U2 and Andrea Bocelli albums. EMI, the UK group, claimed the second-largest Its performance has share of the market with improved in the two years quarterly sales up 2,9 per

thanks to strong demand for

sal's growth it is still smaller

Universal's operations out- to the Spice Girls' debut

album. Warner, part of Time Warner, the US media company, mustered music sales of \$933m. down 5.1 per cent on the first quarter of 1996. wban Alanis Morissatte's Jagged Little Pill sold strongly. Similarly the 18.5 per cent

decline in sales to \$348m at Sony Music, part of the aponymous Japanese electronics group, reflected a fall-off in demand for Celine Dion'a albums.

Quarterly sales figures were not available for BMG, the world's fifth-largest racord company, which belongs to Bertelsmann, the privately-owned German media group.

Music & Copyright cautions that its figures are influanced by external faccent to \$999m. Almost all tors such as different the increase was attributable



No Doubt, a US band, helped Universal Music's sales grow faster than its rivals' last quarter

# Heidelberger, Kodak in digital printing tie-up

By Graham Bowley in Frankfurt

Heidelberger Druckmaschinen, of Germany, the world's biggest supplier of printing presses, and Eastman Kodak, of the US, yesterday forged a strategic alliance for the joint development and marketing of digital printing products.

The move reflects the increasing sophistication and competition in the international printing industry. Rapid technological change, partic- moving more aggressively away

a significant influence on printing

Mr Richard Pignataro, president of Kodak Professional, the professional imaging unit which is the US company's second-largest division, said the deal meant the companies would be able to offer a the German company.
wider spectrum of compatible The companies said the move printing services.

is a clear signal. Kodak has been the printing industry.

systems solutions," he said.

ducer of digital printing plates, film, paper and other printing supplies - with image setters and other printing equipment made by

was a step towards providing "one-"This is a big step for Kodak: it stop" shopping for customers in

"A large set of customers require

ularly in digital imaging, is having from consumer goods towards integrated computer-to-output solu- change hands immediately, but tions to maximise the potential of The agreement will provide digital technologies, and we are Kodak - which is a leading pro- now positioned to satisfy those needs around the world," Mr Pig- tually in the pooling of invest-

The agreement will strengthen links between Kodak Professional and Linotype-Hell, the German printing company in which Heidelberger acquired a majority stake last year. Kodak and Linotype-Hell already co-operate in some areas. Officials said no money would

that the companies would work together more closely in marketing, technology sharing and even-

Mr Wolfgang Pfizenmaier, a member of the board of Heidelberger Druckmaschinen, said: "We will continue to help our customers migrate from analogue to digital solutions and augment their offset printing business with new digital printing solutions."

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			•
Group Financial Highlights		1996	1995
Business Volume	DM billion	0.88	76.2
Balance Sheet Total	DM billion	82.0	71.1
Claims on Customers	DM billion	32.4	27.3
Liabilities	DM billion	46.1	42.1
Certificated Liabilities	DM billion	27.1	20.6
Equity Capital	DM billion	2.5	2.3
Operating Income	DM million	279	231
Net Income	DM million	121	114

These figures confirm the overall strategic direction of Landesbank Rheinland-Pfalz to offer its clients and partners the benefits of highly professional service capabilities.

LANDESBANK RHEINLAND-PFALZ

# Diversity helps Anglo advance

By Mark Ashurst in Johannesburg

Anglo American, South Africa'a biggest company, withstood a decline in earnings from its industrial and platinum Interests to announce a robust increase in full-year profits.

Net income for the year to March 31 rose 24 per cent, from R6.1bn to R7.6bn (\$1.7bn), while earnings per share increased 23 per cent, to R21.44. The final dividend was R5.40, for a total of R7. Analysts said the results at the upper end of expectations - justified the diversity of the group, although expansion of Anglo'a core businesses had strengthened the case for changes to the group'a capital structure. "Diversity has paid off. Gold has done very well while industrials came off -

we expect the reverse to happen next year," said Mr Rob Kirtley, analyst at Deutsche Morgan Grenfell. Diamond aarnings

increased a third to R1.13bn, or 17 per cent of the total, reflecting renewed strength in the rough diamond market. Industrial and commercial

earnings fell 4 per cent to

Ribn, or 34 per cent of the total, from 39 per cent previously, as the group's Mondi subsidiary was hit buy weak pulp and paper prices. The weaker rand buoyed contributions from gold and uranium to R631m, or 15 per

cent of earnings, from 9 per Headlina earnings from mining financa interests were 28 per cent higher at R998m, after a record performance from Minorco,

Anglo'a offshore associate.

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to 4 September 1997 has been fixed at 4.73 per cent per annum. The coupon amounts due for this period are FRF 118.25 per denomination of FRF 10,000 and FRF 1,182.50 per denomination of FRF 100,000 and are payable on the interest payment date 4 September 1997.

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# **COMPANIES AND FINANCE:** EUROPE

# Enel, Enron set to form joint venture

By Paul Betts in Milan

Enel, the Italian atate electricity group, yesterday reached a tentative agreement with Enron, the Texas energy group, to form a L5,000bn (\$2.94bn) joint venture to compete in the Italian and European electricity markets when it is deregulated in 1999.

Under a non-binding letter of intent signed between the two groups. Enel plans to transfer a number of electricity generating plants with total capacity of up to 5,000 megawatts into the

In turn, Enron Europe will acquire a 50 per cent stake in the new company, giving it access to the Italian power markat when it is deregulated in two years as a result of the European Union's electricity liberalisation programme.

The agreement hinges on the Italian government meeting the EU's 1999 electricity deregulation deadlina as well as Enron's dne diligence process on the plants to be transferred by Enel into the

Enel has yet to identify these plants, which are expected to involve a combination of single cycle oil and gas fired plants to be ungraded to combined cycle

gas fired plants. The deal is part of a series of joint vanture agreements that Enel, the world's second-largest electric utility in terms of installed power, is seeking to put together ahead of electricity deregulation when it will have to shed 30

in Copenhagen

ended March 31.

equity markets.

cent last time.

A sharp increase in net

financial income boosted

first-half pre-tax profits at

Carlsberg, the Danish brew-

ery group, from DKr741m last time to DKr870m

(\$132m) in the six months

Operating profits were

flat, rising only DKr2m to DKr532m, but financial

lncome lncreased from DKr211m to DKr338m,

reflecting strong bond and

Sales were ahead 8 per

cent, from DKr8.53bn to DKr9.21bn, attributed pri-

marily to the appreciation of sterling against the Danish

krone and to the inclusion of

50 per cent of Sweden's Faicon Breweries, against 30 per

Investors were unim-

pressed by underlying per-

formance, however. Carls-

berg shares closed at

DKr388.00, down DKr7 from

Monday's close and off an

earlier high of DKr399. Mr Flemming Lindelov, reporting for the first time

Carlsberg lifted

by sharp rise in

financial income

per cent of its domestic

If finalised, these agree-ments would enable Enel to realise the value of power assets which it would otherwise be forced to shut down when the domestic market is finally liberalised.

The Enron venture follows a recent deal between Enel and Eni, the Italian oil and gas group, which have agreed to form a joint electricity generating venture to compete in the deregulated

The new Enel-Eni joint company will also involve 5,000MW of power plants and investments of about

Enel and Eni will transfer a number of existing power generating assets into the new company, which the two groups eventually hope to float on the Italian bourse, and possthly on the New York Stock Exchange as

each plan to own eventually a 20 per cent staka in entire company five times tha new company, which they hope will also attract other international energy groups. The US General Electric company is understood to have already shown interest in the Enel-Eni venture.

Enel has also teamed up with Deutsche Telekom to form a joint telecommunications company to compete for the third licence to oper-ate a mobile telephone network in Italy. The joint venture would absorb Enel's extensive in-house fixed-line and mobile telecommunica tions assets.

since his appointment as

chief executive at the beginning of the year, said full-

year pre-tax profits were

expected to be "almost" level

with last year's DKr1.57bn.

were being held up by com-petition investigations, the

company said.

But two strategic moves

In the UK, the proposed merger between Carlsberg-

Tetley, a 50-50 joint venture, and Bass, the UK leisure

group, is on hold while the

new Labour government

But Carlsberg said it was satisfied with the perfor-

mance of its operations in the UK given the uncer-

tainty among employees and

customers caused by the

authorities' long investiga-

In Sweden, a proposed

joint venture between Carlsberg and Coca-Cola for bot-

tling and distribution of

Coca-Cola and other soft

drinks, announced on March

4. is being held up by a European Union investigation. The outcome will not be

known until September.

considers whethar

approve the agreement.

# Popular capitalism sweeps Portugal

EdP offering has attracted unprecedented demand from the public for shares, writes Peter Wise

Portugal is turning into a nation of shareholders almost overnight as the privatisation of Electricidada de Portugal, the national power utility which is the country's biggest company, stimulates an unprecedented shift of savings out of bank accounts into the stock market.

The government decides tomorrow how much of the company it will sell, and how it will split the issue between retail and institutional investors.

The number of shareholders in the country, which has recently been reclassified as a developed rather than an emerging equity market, is set to jump from about 1 per cent of the population - about 100,000 people - to more than 6 per cent as a result of the EdP initial public offer.

offer will attract more than 600,000 individual shareholders, compared with 85,000 for the country's previous biggest privatisation. Small savers, mostly new-

Forecasters estimate the

comers to the stock market, have already placed almost 1.2m orders for more than 3.2bn shares. That is more than enough to buy the

over, and more than 40 times the stake that the centre-left Socialist government initially envisaged for retail

"Demand for EdP is a phenomenon that is vastly exceeding the most optimistic expectations of everyone involved," says a Londonbased broker. "Whether you call it 'popular capitalism' or 'democratic ownership', the government has a success on its hands."

Conditions converging to make the EdP sell-off a record success includa a sharp fall in interest rates. the buoyant growth of the Lisbon stock market, strong gains made by shares from previous IPOs, the country's reclassification as a developed market, and a big offering of a sound company at an attractive price.

Interest rates on bank deposits have fallen from more than 14 per cent in 1991 to about 4 per cent - less than the average dividend yield of 5 per cent forecast for EdP. On top of this, analysts expect EdP shares to perform solidly, with some forecasting a gain of between 10 per cent and 20 per cent in the first day of

The price range of Es1,750-



Es2,250 a share, at the lower end of expectations, has also helped lift demand, and values the company at Es1,050bn-Ea1,305bn (\$6.1bn-\$1.9bn). The final price is to

be announced on June 16. EdP certainly looks to be an attractive investment. It operates Portugal's national power grid and accounts for 92 per cent of generating capacity and 97 per cent of distribution.

Its strong profit growth is mainly a result of a big drop in the cost of servicing its by Es9.5bn in 1996 to to have risen considerably. 683.1bn, accompanied by

growing demand for electricity, which is forecast to increase by 4.5 per cent a year to 2000. However, the unparalleled level of demand for EdP

shares has placed the gov-

lthough authorised to sell up to 49 per cent, the government wants to limit the IPO to about 27.5 per cent of EdP'a total capital and sell the remainder in a secondary offering in 1999. By this time, the shares are forecast

Mr António de Almeida,

EdP chairman, is known to favour limiting the size of the IPO to maximise revenue from the secondary offering. But the main centre-right opposition party, sensing Portugal's share buying fever, is pressing for the privatisation of a larger stake now and to anlarge the tranche for Portugal's small

foreign institutions.

European electricity groups. Global co-ordinators are ABN Amro Rothschild, Goldman Sachs and Banco Portugues de investimento.

A number of analysis expect the government to compromise by expending the initial sell-off to a little more than 30 per cent of EdP's total capital of 600,000m shares.

One inevitable consequence is that a large num-ber of small investors will be disappointed Bankers are forecasting most will receive only fiva to 10 shares for every 100 they order. This has led many to register for more than they intend or can afford to buy - but bank credit is readily available for purchasing EdP shares.

"The unpracedentad demand is a aign of the growing maturity of Portuguese investors and their faith in the country's ecosavers - not initially expec- nomic stability," says one ted to exceed 50 per cent of Lisbon, banker, "Because the offer - at the expense of . interest rates have fallen to an all-time low - below Institutional demand those of the US or the UK -through a book-building pro- people are moving their cess is also strong, not only. savings out of banks deposfrom financial investors but .. its. into equity by investing also from Endesa. Iberdrola in a solid company.



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The Original Trust Deed and the First Supplemental Trust Deed are together referred to herein as the "Brust Deed".

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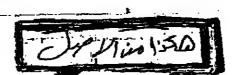
Dividend No. 122 of 540 cents per share has been declared payable on Friday, 25 July 1997 to

shareholders registered at the close of business on Friday, 20 June 1997. The register of members will he closed from Saturday, 21 June 1997 to Saturday, 28 June 1997 inclusive. The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the Corporation and at Extracts from the audited results for the year ended 31 March 1997.

(R million - unless otherwise stated)	Y end 31.3		
Net income before transition	11 0	98 7 761	43
Net income after raxation	9 2	77 6 139	51
Total net earnings	.: 71	06 4 403	61
Headline earnings	. 50	15 4 077	23
Earnings per share – cents  - total net earnings  - headline earnings  Dividends per share – cents	3 0 2 j		
- interim - final		60 130 40 440	
	As 31.3.		
Net cash resources at 31 March 1997	53	38 4 242	26
Net asset value per share' – cents 'After providing for final dividend	29 9	07 29 817	-

Anglo American Corporation

THE CUTTING EDGE OF THE NEW SOUTH AFRICA



# Thai water utility set for \$50m IPO

By Ted Bardacke in Bangkok

Thailand is set to test the market for water privatisation in Asia this week as East Water, a government subsidiary in charge of water distribution, attempts to become the first private water provider in the

The company, which distributes water along the country'e industrial eastern seaboard, is launching a public share offering worth at least \$50m.

The issue, underwritten internationally by ABN-Amro Rothschild and domestically by Tisco and Dhana Siam, takes place amid international road show winds up try of Finance owns most of the tough market conditions. With the in London. That market down more than 30 per cent this year, only two public offerings were made in the first quarter, compared with 18 in the same period last year.

But the company is seeking to buck that trend and play up its PWA, which retains responsibility uniqueness in Thailand, where it for distribution to retail customers. has a monopoly on wholesala water distribution. Underwriters are expecting e

price of between Bt25 and Bt30 a

Final pricing will take place next Thursday when the company's controls the water and the Minis-

East Water, owned by the gov-

ernment's Provincial Waterworks Authority, takes water from Thailand'e Royal Irrigation Department and supplies it to private industrial estates, corporate clients and the

This reduces East Water's exposure to volatile public opinion over water rates, which has plagued water privatisations in other parts of the world. But with few assets - the RID

implementing its \$50m expansion programme will depend largely on government policy towards the company remaining consistent. An interim committee on water allocation has recently been set up but it is expected to take several years before it becomes an independent

Mr Wanchai Ghooprasert, President of East Water, said: There is a real need for a regulator so that people will have their fair share of water at reasonable prices, but also to protect investors. But the Royal

water to anyone else (except East Water) and the lease on the pipes is 30 years. So we have exclusive rights.

Negotiations with the RID on water supply will take place again in 2001. The company believes that by keeping representatives from all the main government agencies dealing with water on its board of directors - Mr Wanchai is also assistant governor of the PWA, which will remain the single largest shareholder in the company it will be immune to political

# Assuming the burden of Japanese growth

The corporate sector saw big profit rises last year, but the advance was led by manufacturing

n the surface, the performance of Japa-nese corporetions last year suggests that, for the country's leading companies, things are looking better than they have for years. Toyota to Sony, unveiled at manufacturing compastrong sales and profits nies, overall recurring profincreases, with many compa- its of 1,049 non-financial nies reporting figures companies listed on the first

the late 1980s, when surging Exchange have risen 15.7 per asset prices fuelled economic cent and net profits by 17.1 growth. Toyota saw a 14 per cent rise in sales and e 50 per cent increase in net profits in the year to March, Its smaller rival, Honda, posted a 25 per cent jump in sales,

trebled pre-tax profits and reported record net profits. In the electronics sector, both Matsushita and Sony echieved record sales, and even integrated electronics companies - hit by the plunge in semiconductor prices - eew healthy advances. Fujitsu lifted sales 20 per cent, to e new record, while revenues et NEC grew

The relentless pursuit of Japan'e leading manufacturers - has ensured that at least in those industries sures of deregulation. where the country is competitive, the dark days following the collapse of Japanese asset prices are fading world-beating car makers

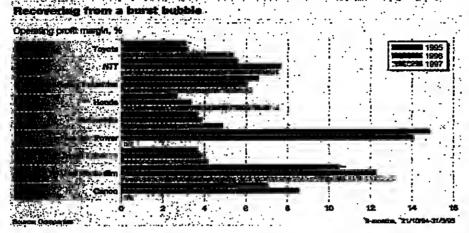
"The manufacturing sector has basically recovered from the bursting of the bubble," points out Mr Jason James, strategist et HSBC James Capel in Tokyo.

Supported by e 20.2 per The top names, from cent rise in recurring profits unseen since the bubble of section of the Tokyo Stock per cent, according to a recent report by Goldman Sachs in Tokyo.

However, the contrast between the performance of manufacturera, most of which bave long been exposed to global competition, and of non-manufacturers, which have been prounderlined by a fall in nonmanufacturers' profits of 3.5 per cent

While financial institutions are still suffering from the asset deflation that has rocked Japan in the past few years, domestically oriented companies in sectors from oil to retailing - sheltered excellence - the hallmark of from competition by government regulation - are faced with the unprecedented pres-

The gap in performance needed to sustait suggests the country will the longer term. again have to rely on its



support economic growth until other sectors emerge to assume part of the burden. Jepanese vehicle manufac-

tected by regulation, was turers, which enjoyed e windfall from the decline in the yen against the dollar and a domestic retail boom ahead of an increase in consumption tax in April, contributed a full 40 per cent to overall profits growth, notes Ms Kathy Matsui, strategist at Goldman Sachs in Tokyo. But there are serious

doubts as to whether Japan's manufacturers really have achieved the turnround needed to sustain growth in

"The results were better than expected. But while

good sales growth on a consolidated basis, operating than reported. profit growth was not significantly higher," points out Mr James

oyota, for example, just managed to raise its operating profit ratio from 3.2 per cent to 5.4 per cent, while Hitachi's operating profit to sales ratio fell from 4.1 per ceot to 3.5 per cent.

Furthermore, while car manufacturers have been impressive in cutting costs, such restructuring contributed Y110bn (\$944m) to the operating profits of Toyota. while the yen'e weakness contributed Y240bn. Withont the weaker yen, Matsushand electronics companies to they showed phenomenally ita's operating profits would a big contributor to overall

have been Y165bn lower

Given these factors. "the message of last year's results is that if anything. Japanese companies did not do very well considering how positive the environment was." Mr James says.

environment is not expected to last, "The implication is that there is going to be quite a sharp slowdown in this fiscal year," he notes. Car manufecturers are bracing themselves for a significant drop in domestic demand this year in reaction to the spring buying spree. in eddition, capital investment by the telecommunica-

tions sector, which has been

problem. Moreover, the favourable

Michiyo Nakamoto

private capital spending, will slow this year at a time when public spending is being cut back, says Ms Matsui. While the telecoms industry is still expected to

grow, fierce competition in

the wake of dereguletion may undermine profitability. With the yen significantly helow the level et which many Japanese exporters can turn e profit, there is also concern that many companies, having restructured their operations to beat the impact of e strong yen two to four years ago, are now

beginning to relax their grip. "Employment is picking up and growth in bonuses has picked up at a time when pension and welfare expenses are growing." Mr James says. "Wage costs are going to be a continuing

The bope is that new engines of economic growth can emerge in time to ease the transition from an economy dependent on manufacturing industries to one that can count more on ser-

Without further restructuring in the meantime, however, the well-being of those companies that are still vital to Japan'e economic health may remain at the mercy of forces largely beyond their

# Hitachi, AlliedSignal develop new transformer

By Peter Marsh

The cost of electricity for industrial users could be cut by millions of dollars e year as a result of a new type of transformer being developed by Hitachi of Japan and AlliedSignal of the US.

on making industrial transformers which incorporate e novel energy-saving system that can cut electricity wastage in this type of device by 80 per cent, eccording to AlliedSignal.

The companies are partic-

at manufacturers in Japan. where they estimate it could eccount for ebout one-quarter of the country'e \$1bn a year business in industrial transformers within three

Transformers are essential The two are collaborating for changing high voltage current from mains networks to low voltage current that machines can use. While electricity utilities

use transformers in their own power systems, an estimated 1m transformers e year, worth some \$8bn, are cant energy savings.

FIDELITY GLOBAL SELECTION FUND

Société d'Investissement à Capital Variable Kansallis House - Place de l'Etoile

B.P. 2174, L-1021 Luxembourg R.C. Luxembourg B 27 223

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Fidelity

Global Selection Fund Sicav (the "Company") will be held at the registered office of the Company in Luxembourg oo June 13. 1997 at 11.00 a.m. to consider the following agenda:

6. To resolve to keep the records and books of the Company for a time of 5 years at the registered office of the Company.

7. To note that proceeds which have oot been distributed will be transferred to the Caisse

If you are not able to attend the above Extraordinary General Meeting, you are urged

to execute and return e proxy to the registered office of the Company prior to the date of the meeting. Proxies can be obtained from the registered office of the Company.

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To near the report of the admitor to the addition.
 To approve the report of the liquidator and of the auditor to the liquidation.
 To grant discharge to the liquidator and to the auditor to the liquidation.
 To grant discharge to the Directors in office at the date of liquidadon.

des Consignations to be held for the benefit of the persons endtled thereto.

1. To hear the report of the auditor to the liquidation.

Financial CAD

To resolve the close of the liquidation of the Company.

ularly targeting their system bought by private businesses around the world for bandling their own electricity

> Transformers use twists of wire wound round metallic "cores" to effect the voltage reduction. While most transformers use e standard core made of steel containing traces of silicon, the Hitachi/ AlliedSignal venture is based around e novel amorphous alloy developed by the US company, which it claims has much better electrical properties leading to signifi-

Most transformers lose 2-3 per cent of their energy in the core as the voltage is altered. However Allied-Signal seys that its amorphous alloy core - based on a mixture of steel, boron and silicon, made using a process akin to glass manufacturing - can cut these losses to 1-2

per cent Hitachi, one of the world's biggest makers of transformers and related electrical systems, has started making the new devices at e plant in Nakajo City in Japan, using supplies of alloy made by

AlliedSignal in the US. Hitachi said that it was

planning a "strong relationship" with AlliedSignal over buying the material on a long-term basis. It has spent about Y10bn (\$86m) since 1991 on developing the new transformers, which are based on an earlier type of transformer using the new used by some electricity utilities.

The new transformers will be 15-25 per cent more expeneive than conventional systems based on steel with

added silicon, but according to the US company will pay for themselves in three years - roughly one-third of their average lifetime - before being replaced.

Other makers of transformers include ABB, the Swiss-Swedish group, General Electric of the US and Japen's Mitsubishi. material and which has been Although they have yet to show firm interest in the AlliedSignel product, they may enter into agreements to huy the material from the US company if the promised

# Cosco blossoms after reins are loosened

poratising" its etete sector has achieved mixed results, but the rapid growth of Cosco, the national shipping line, demonstrates that once reins are loosened, state enterprises

are capable of extraordinarily rapid growth. Since a new corporate entity known as the China Ocean Shipping (Group) Company was established in 1993, Cosco has undergone extensive restructuring and bas extended its tentacles into areas far removed from

its core shipping business. Mr Zhou Qifang, Cosco'a executive vice president. exuded confidence in a recent interview about the company's prospects, espe-cially in Hong Kong where the group, through Cosco Pacific, has become one of the biggest among mainlandcontrolled listed companies the so-called "red chips".

We feel the environment in Hong Kong will become better for us after the July 1 handover," he says. "Hong Kong will retain not only its strong points from today, it will have stronger back-up from the mainland."

Mr Zhon spoke of a convergence" between Cosco's interests. He expects the company to use Hong Kong as a springboard for increased involvement in mainland ventures, including ports and expressways. Cosco (Hong Kong) Group, Cosco's Hong Kong arm, recently established e strate-

gic alliance with Lai Sun

Development Co, a leading

Hong Kong property devel-

botels, to focus on infra-

structure projects. The Lai Sun-Cosco joint venture. Cosco Lai Sun Infrastructure (China), will invest in toll roads, bridges and power plants. The new venture is studying a num-ber of projects, including the upgrading of e Cosco-owned power plant in Heoan. While Hong Kong, where Cosco's interests include

We feel the environment in Hong Kong will become better for us after the

shipping, container terminal

handover. Hong Kong will retain not only its strong points from today, it will have

stronger back-up from the mainland'

operations, finance, insurance, tourism and trading, is by far its biggest stake outside the mainland - fixed assets in Hong Kong are now Hong Kong and mainland Yn50bn (\$6bn) - it is also expanding internationally. Mr Geo Weijie, a Cosco vice president, said the company planned to invest \$45n over the next five years, of which \$3.2bn will go towards upgrading its fleet. The remainder will be spent on the mainland in port development and other infrastructure projects

Cosco will raise the funds

oper and owner of a string of from Chinese and foreign banks and will also draw on the resources of its Hong

Kong-listed companies. The shipping line, which accounts for more than half Chine's ehipping tonnage, has 600 ocean-going vessels but many are out of date and unable to offer the economies of ecale required in today's highly competitive market. They will be phased out as Cosco does not intend to increase actual numbers of ships in service.

Cosco plans to purchase 50-60 new vessels over the next five years, half of which will be bullt outside the country. New tonnage will include bulk carriers of about 170,000 tonoes and container ships capable of carrying up to 3,800 standard-size containers. The shipping group has

also embarked on plans to expand its activities abroad, where it has invested \$300m in establishing new transhipment and other facilities.

It is also seeking to expand its presence in the US, but has run into opposition from environmentalists opposed to its plans to build a container terminal at the former Long Beach naval etation in California.

However, these obstacles are unlikely to deter Cosco, which is intent on forging a presence across the world with plans to add to its eight existing regional shipping management centres or branches in the US. Germany, Singapore, Japan, Hong Kong, Australia, South

Tony Walker

ASIA-PACIFIC NEWS DIGEST

# State bodies told to help Alphatec

The Thai cabinet yesterday ordered three quasi-government financial institutions to submit plans to help Alphatec Group, the struggling electronics conglomerate, overcome its severe cash crunch. Krung Thai Bank, the Export-Import Bank and the Industrial Finance Corporation of Thailand were told to submit their

plans to a government committee within seven days. Alphatec Electronics, the flagship company of the group, which accounts for nearly 1 per cent of Thailand's exports, must refinance nearly \$80m to credits from international lenders before June 22, when a put option

on the company's eurobond comes due. The company has already missed e payment of more than \$30m to e syndicete of international banks, led by ING Bank, which has chosen not to call a default pending the outcome of e hoped-for restructuring of the group's Ted Bardacke, Bangkok

### NCB proceeds with issue

Nippon Credit Bank said yesterday it would proceed with a recapitalisation plan to issue 766.04m new shares, worth Y167bn (\$1.43bn). The move follows Monday's decision by Nippon Life, Japan'e largest life assurer, to provide Y28.5hn to support the troubled bank, which announced the plan et the height of its liquidity crisis two months ago. Nippon Life is expected to become NCB's largest shareholder after the new share issue, and its decision to help bail out the bank was seen as vital in convincing

other life assurers to follow suit. NCB, the smallest of Japan's three long-term credit banks, said its restructuring programme was designed to tackle massive non-performing loans which stood at Y1,261.8bn et the end of the business year to March 31. The new shares will be priced at Y218 each, based on NCB's everage closing price on the Tokyo stock exchange of Y241.60 over the preceding five trading days.

### Kobe Steel eyes telecoms

Kobe Steel, one of Japan's leading steel manufacturers, is joining with Global One, the telecoms joint venture between Deutsche Telekom, France Telecom and Sprint, of the US, to conduct trials on the feasibility of eotering the international call market once deregulation takes effect next year. Together with Creative Links, a Japane communication services company, Kobe Steel will conduct trials of international resale of leased lines in a project that could lead to the formation of a joint operating company with potential sales of Y1.5bn (\$13m), Kobe Steel said.

The deal comes ahead of deregulation of the international lease line market by Japan's telecoms ministry. Next spring, the ministry is expected to start allowing the connection of international leased lines to the public telephone network in Japan.

Michigo Nakamoto, Tokyo

### Mitsubishi Aluminium venture

Mitsubishi Aluminium will form a joint venture with Thai Muang Thong Aluminium Industry Co to produce 180 tonnes a month of aluminium extrusion products and beat exchanger components, a company executive said yesterday. Mr Peng Tuannawarat, Muang Thong's foreign department manager, said the joint venture deal would be signed on June 5. The joint venture, to be named Muang-Max, will make its products soiely for car sector, he said.

Mitsubishi Aluminium will hold a 50 per cent stake in the project, Muang Thai Aluminium 34 per cent and Mitsubishi Corp 16 per cent, Mr Peng said.

Reuter, Bangkok

### TENDER NOTICE **UK GOVERNMENT ECU TREASURY BILLS**

For tender on 10 June 1997

 The Bank of England announces the lasue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield baele on Tueeday, 10 June 1997. An edditional ECU 50 million nominal of Bills will be allotted directly to the Bank of England for the account of the Exchange Equalisation Account.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 12 June 1997 end will be in the following

ECU 200 million for maturity on 10 July 1997. ECU 500 million for maturity on 11 September 1997. ECU 300 million for maturity on 11 December 1997.

3. All tenders must be made on the printed application forms available on requeet from the Bank of Engl Completed application forms must be lodged, by hand, at the Benk of England, Cuetomer Settlement Services, Threadneedle Street, London not later than 10.30 a.m.; London time, on Tuesday, 10 June 1997. Peyment for Bills allotted will be due on Thursday, 12 June 1997.

 Each tender at each yield for each maturity must be made on e separate epplication form for e minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on e yield basis (calculated or the basis of the ectual number of deys to meturity and a year of 360 days) rounded to two decimal placee. Each application form must state the maturity date of tha Bills for which application is made, the yield bid and the amount

6. Notification will be despatched on the day of the tende to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in globel form to their account with ESO, Eurocleer or CEDEL, Bills will be credited in the relevant systems against peyment. For applicants who have requested definitiva Bills, Bille will be available for collection et Cuetomer Settlement Services, Bank of England efter 1.30 p.m. on Thursday, 12 June 1997 provided cleared funds have been credited to the Bank of England'a ECU Treasury Bills Account No. 59005516 with Lloyda Bank Plc, Bank Relations, St George'e House, PO Box 787, 6-8 Eastcheap, London EC3M 1LL. Definitive Bills will be available in emounte of ECU 10,000, ECU 50,000, ECU 100,000. ECU 500,000, ECU 5,000.000 and ECU 10,000,000 nominal.

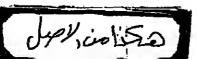
7. Her Majesty'e Treasury reserves the right to reject any

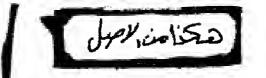
or part of any tender. 8. The arrangements for the tender are set out in more deteil in the information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behelf of Her Majesty's Treasury on 28 Merch 1989, and in supplemente to the information Memorandum. All tenders will be subject to the provisions of the Information Memorandum (as supplemented) and to the provisions of this notice.

9. The ECU 50 million of Bille to be allotted directly to the Bank of England for the account of the Exchenge Equalisation Account will be for maturity on 11 December 1997. These Bills may be made evailable through sale and repurchase transactions to the market makers listed in the information Mamorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, tha National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of Englend 3 Juna 1997





# **COMPANIES AND FINANCE:** THE AMERICAS

# CNN, Oracle to offer news on internet Telmex gets

Hollinger carries out redesign at Southam

By Louise Kehoe in San Francisco

Miles of ac.

Mary 194-20-

wrote with resin

Ammentente setti.

ture with Oracle, the datacreate an advanced "personaltsed" news service on the

their individual interests.

Black and Southam

when Mr Black's Hollinger

group bought control of Can-

ada's biggest newspaper

Mr Black, whose other

interests include the UK's

Telegraph group, the Chi-cago Sun Times and the

Jerusalem Post, described

"factional strife, impetuous

diversification initiatives.

rather mediocre editorial

products, and all the general

problems of the newspaper

Southam's 1996 annual

caustic exchanges between

Mr Black and a union repre-

sentative concerned that the

company's 32 newspapers

would become vehicles

for Mr Black's conservative

cost-cutting and mass redun-

grudgingly acknowledged at

this year's annual meeting

in carly May that life under

Hollinger was not as bad as

feared - though he nonethe-

less complained that homo-

views had become the order

of the day in Southam

Southam's new proprietors

their purchase. Hollinger

recently offered to buy out

the 49.5 per cent it does not

own for cash and shares

worth C\$23.50 a share, or a

total of C\$923m (US\$710m).

chain last year.

industry'

dancies.

papers.

Today's launch marks the leading news-gathering Cable News Network will organisations into personaltoday announce a joint ven- ised news. To date, most such services are focused on base suffware company, to business news or more narrowly on news from the computer industry.

Personalised news services The CNN service will be are designed to avoid the the most suphisticated of its problems of "information kind, providing users with overload" that many intertext, graphics and video net users suffer by filtering news reports according to news reports into special interest categories.

Southam.

the offer on June 18.

Toronto analyst, who

describes Hollinger's offer as

"light" to the tune of

between C\$1 and \$1.50 a

week that Hollinger might

be willing to improve the

without increasing the total

Southam was for many

years controlled by one of

Toronto's blue-blooded busi-

ness families. It went

in the late 1980s and early

1990s, when the board

Torstar's stake in 1992.

By common consent, the

views, and victims of share. Mr Black said last

The same union official cash component of its offer

geneous right-of-centre through a turbulent period

amount.

entry of one of the world's select articles of interest error.

It is difficult, for example, to distinguish between articles about soccer and different sport in some parts of the world

The Oracle technology, in contrast, uses linguistic analysis to Identify themes dreds of news stories filed by sources, as well as by its world news, sports and

Most existing services CNN journalists every day. using key-word search for news using over 200,000 Infante, Oracle senior vice- ple, he able to obtain systems, which are prone to "concepts" or topics to president of internet and ensure that every relevant media products. article is found.

A similar approach is used by Individual, one of the curfootball, since "football" is a rent leaders in internet cus- on individuals' PCs, so users advertisements to people which focuses primarily on business news.

The CNN service is distinguished by the breadth and vice will be aimed at con- share in the advertising revand topics among the bun- magnitude of its news sumers and will include ennes raised by the CNN

ability to deliver news to the weather as well as business "intelligent agents" search desktop, said Ms Beatriz news. Users will, for exam-

Details of users' news prefcentral servers, rather than tomised news services, will be able to access their personalised news services from any computer.

weather reports from more than 3,600 cities.

Personalised news services erences will be stored on are attractive to a advertisers, because they can direct who have expressed interest in a particular topic.

As part of the CNN-Oracle The CNN interactive ser- joint venture, Oracle will

# lion's share of long-distance

By Daniel Dombey in Mexico City

Telmex, Mexico's former state telecommunications company, has won the majority share of the country's newly liberalised long-distance services, bnt lost its claim for full reimbursement of its infrastructure investment that made competition possible.

In an unusual exercise in economic democracy, telephone users in 26 cities voted for their favourite long-distance carrier. Telmex was voted favourite by 53 per cent of the 1.6m users who expressed a preference in Mexico City, by far the most important telecommunications market in the country.

It was followed by 25.6 per cent for Alestra, a joint venture between AT&T, Alfa and Bancomer, and 21 per refund its investment in cent for Avantel, which long-distance network. brings together MCI and bank. The remaining four competitors won less than 1 per cent of the vote.

expressed a preference, the other 40 per cent of users will remain with Telmex, giving the group s 70 per cent market share measured by lines, according to Ms Sari Mayer, an analyst at Salomon Brothers in New York.

Alestra claims it is ahead in the national race among the new operators, having won 830,000 of the 5.5m lines opened to competition so far. Avantel, which has been plagued by arguments with Telmex over the supply of equipment, is third. Another 900,000 lines in 34 cities will be opened to competition later this year.

However, Mexico's Federal Telecommunications Comlong-distance licence holders must pay \$423m to Telmex over the next seven years, to refund its investment in the

Telmex had claimed more Banamex, Mexico's largest than \$550m, but the commission said \$200m of that had been carried out for its own

# **High-tech stocks**

to fall yesterday in the wake of the semiconductor industry leader's warning last week that revenues and profits would not meet Wall Street expectations in the

At a meeting with financial analysts in New York

add nothing to the profit warning issued on Friday. but remained "extremely bullish" on the personal computer industry. Intel was trading at \$146%

early yesterday, down \$3% from Monday's close. On Monday, Intel dropped \$4%. Profit warnings late on Monday from Seagate Technology, the manufacturer of PC disk drives, and from

Cabletron, a computer net-

working equipment maker.

added pressure to high tech-

nology stocks. Seagate fell \$3% to \$39%. while Cabletron lost almost



Conrad Black's reputation precedes him, but fears have been unfounded

fresh air. The publishers (chief executives) and editors of its flagship newspapers - which include the Montreal Gazette, the Ottawa Citizen and the Vancouver Sun - ran mini-fiefdoms with little control from head office. Labour relations, especially in Vanconver, were dismal. Heavy capital losses in 1991 and 1992 from

thwarted potential predators the disposal of non-newspaper businesses wiped out by exchanging large reciproalso appear satisfied with cal shareholdings with Torretained earnings. star, publisher of the Hollinger and Power Cor-Toronto Star, Canada's bigporation, the Montreal-based gest daily. Hollinger gained conglomerate, gained joint its first toehold by buying control in 1993. According to one analyst, Southam then

began moving in the right

chain badly needed some direction, although the changes "weren't aggressive or quick enough".

The pace has acceler-

ated markedly since Mr Black took the helm in early 1996. Mr Dan Colson, the Telegraph's chief executive who devotes a growing part of his time to Southam, says: "We've started to deal with some of the problems, and we'll get most if not all of them right." Many of the lessons Mr Colson has learned over the past decade in London are likely to be applied in

Virtually the entire Southam board, as well as the Lapointe, editor of The Spec-

chief executive and chief financial officer, have left over the past year. Publishers and editors of several papers have been replaced.

The papers themselves have also undergone radical changes. The Ottawa Citizen and Montreal Gazette, both with new editors, have been redesigned. The Citizen is virtually a new paper, with longer, more serious stories, and greater emphasis on national and international news and analysis.

Smaller papers have put stronger emphasis on local coverage. "We have to be very, very strong in our comone of last year's acquisi-tions, says his experience has been "nothing but posi-

notes, however, that much of

the improvement was due to

Southam has also begun to

spread its wings, buying

Mr Don Brander, publisher

of The Guardian, a small

daily in Charlottetown,

Prince Edward Island, and

tive. It's been pretty much [a

\$2,500,000,000

more than a dozen papers

since Mr Black took over.

lower newsprint prices.

case of running your own

munities," says Mr Kirk

### flow - which Hollinger is eager to lay its hands on . under pressure more than doubled to C\$33.8m. Advertising revennes grew 6.8 per cent and products launched this year. circulation revenues were 2.3 By Louise Kehoe Mr Grove said he could per cent higher on a same paper basis. One analyst Intel's share price continued

current quarter.

yesterday, Mr Andrew Grove, Intel chairman and chief executive, said the company was going through a "monumental" transition to a new generation of microprocessor chips. By the fourth quarter, 90 per cent of Intel's microprocessor reve-

Bernard Simon | nues would come from new one-third, down \$15 at \$30%.

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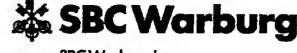


through a wholly owned subsidiary, has merged with



SANTA FE PACIFIC GOLD CORPORATION

The undersigned acted as sole advisor to Santa Fe Pacific Gold Corporation.



SBC Warburg Inc. A Subsidiary of Swiss Bank Corporation

# Hilton's interest in ITT wanes

By Richard Tomkins in New York

Hilton Hotels, waging a \$6.5bn hostile bid battle for the rival ITT hotel and casino group, yesterday showed signs of losing interest in the fight after it emerged that FIT was entertaining offers for some of its prime botels.

"It's just another sign of an entrenched management that is willing to destroy assets and destroy shareholder value in order to keep their jobs." Hilton said of the

ily because there's a good portfolio of owned hotel assets, so to the extent that they destroy those assets, it does dampen our interest proportionately."

ITT, which has realised nearly \$2bn over the last few months by selling non-core assets, is understood to have received offers for some of its most luxurious botal properties, including the St Regis in New York and the Phoenician resort in Scottsdale, Arizona, Last month, ITT sold five

TransCanada Pipelines

the US to FelCor Suites pill' defence against Hilton's Hotels for \$200m, agreeing to bid. Hotels for \$200m, agreeing to manage them under contract instead

It said it wanted to concentrate its resources on its prime hotels in destination cities - the hotels that Hilton wants.

ITT is now considering a

deal under which it would sell some of these prime hotels but continue to manage them under contracts with their new owners. The management con-

ITT were taken over - so

FFT says only 55 of the 425 properties in the ITT Sheraton chain are wholly owned, with another 28 held by joint ventures and the rest either willing to pay. So to the managed under contract or franchised: so it is unimportant if one or two fewer are wholly owned.

Hilton said yesterday its aim in trying to acquire ITT had been to achieve "a couple of very big steps along
York trading yesterday, narthe road" towards its growth
York trading yesterday, narrowing the premium to Hiltracts would become void if objectives.

"It'e a road we will travel Hilton's were unchanged m any case, so ITT was one at \$28%.

**US** care groups in \$400m "We are going to have to see what the company looks like at the end of the day merger and that obviously has an impact on the price we are By Tracy Corrigan

extent that they are destroying value in their company, that is a major disservice to their sharebolders." Hilton

ITT's shares were down

\$% at \$59% in early New

ton's \$55-a-share offer price.

the challenge upon itself

by failing to respond quickly

to a eurge in natural gas

supply.

The company was reluc-

tant to commit itself to a

long-term project in an era

of short-term contracts, giv-

We've been a little lag-

e is determined to

gardly, a little too cautious,"

lier this year the company

became the first private con-

cern to win a natural gas

pipeline contract in newly-

TransCanada also has pro-

jects in Indonesia, Tanzania

and Thailand, though Mr

Watson sees the largest potential in Colombia,

Mexico, Peru and Venezuela,

where recent regulatory

reforms have opened their

energy sectors to interna-

Global expansion has been

times a trying experience

for TransCanada, but man-

agement has learnt that

arriving first to establish

long-standing relationships

is key to doing business in

And company watchers

tional investment.

deregulated Mexico.

Mr Watson acknowledges.

Humana, the US managed care provider, has agreed to buy Physician Corporation of America (PCA) in a deal valued at about \$400m. As part of the cash offer of \$7 per share, Humana will take on \$130m in debt.

Kentucky-based Humana said it would have about 6m members and annual preminme of \$8bn after the merger, making it one of the largest managed-healthcare companies in the US.

PCA provides bealthcare services through bealth maintenance organisations in Florida, Texas and Puerto Rico, and has 1.15m members, including com-pany and individual benefi-

The acquisition will also bring Humana almost 600.000 Medicaid members, whose healthcare costs are paid under government ing Alliance the opening it needed to proceed with its programmes.

Humana believes that "It will now be well positioned in the Medicaid market as federal and state governments continue to turn to tbe private eector to avoid the same mis-takes overseas. Earimprove the quality and efficiency of govarnment-fundad medical programmes

> "This acquisition represents a compelling strategic opportunity that strengthens our competitive position in Florida and Texas, with all of the critical mass and purchasing power that is absolutely crucial for long-term leadership in our industry," said Mr David Jones, Humana chairman and chief executive officer. In connection with the

merger, PCA said it would purchase a reinsurance policy to cover the financial difficulties of PCA Property & Casualty Insurance Company, its workers' compensation subeidiary, and would record a \$4m charge to reflect a deposit.

Humana shares rose \$% to \$24, after the announcement, while PCA jumped \$% AMERICAS NEWS DIGEST

# Antioco hired by Blockbuster

Viacom has hired Mr John Antioco, a seasone convenience store and fast food restaurant executive, to restore the fortunes of its troubled Blockbuster video and music stores. He succeeds Mr Bill Fields, former head of stores operations for Wal-Mart, the world's biggest mass-market retailer, who left Viacom last month after a year on the job, accompanied by a warning of a sharp lecline in Blockbuster's cash flow.

Mr Antioco, 47, is credited with leading the Circle K chain out of Chapter 11 protection from bankruptcy, and was hired last October by PepsiCo to perk up the lacklustre performance of its Taco Bell group of Mexican fast food outlets. He leaves PepsiCo during a deep-seated restructuring which includes a plan to spin off fast food operations Taco Bell, Pizza Hut and the RFC fried chicker brand into a separate company.

Mr Antioco joins Blockbuster at a time when the US video rental market is showing signs of recovery.

According to a tresh study, the weakness in the first quarter stemmed from a lack of releases of popular films for home video viewing. Alexander & Associates, the research firm, said first-quarter introductions this year included only eight films that had grossed more than \$30m at the US box office, compared with 17 in the comparable equivalent period of 1996.

Christopher Parkes, Los Angeles

Marque

### **Bristol-Myers buys rights**

Bristol-Myers Squibb, the US healthcare company, has acquired worldwide development and marketing rights for two protease inhibitor compounds being developed to treat HIV and Aids, from Novartis for an undisclosed sum. The treatment of HIV and Aids with nucleoside analogues - such as Bristol-Myers' Zerit and Videx - has been found to have greater efficacy when used in conjunction with protease inhibitors. Four such treatments, including Abbott's Norvir and Merck's Crixivan, are already on the market.

One of the two compounds acquired from Novartis is in clinical trials and the other is still in the early stages of Tracy Corrigan, New York

### Messer expands in Venezuela

Hoechst, the German chemicals and pharmaceuticals company, plans to expand its industrial gas and welding supplies operations in Venezuela through Messer, its Venezuelan subsidiary. Messer, which has been operating in Venezuela for 25 years and leads the welding supplies market, will invest \$132m over the next two to three years to expand its distribution network, and set up a greenfield hydrogen and ASU plant, and a 200-tonne carbonic gas plant to supply the food, chemical, and petrochemical

Messer recently acquired Gases Mérida, a gas separation plant in western Venezuela, for an estimated \$2m-\$3m. Mr José Luis Padrón, president of Messer Gases de Venezuela, said the company was also interested in acquiring the gas plants of Siderurigcadel Orinoco (Sidor), a steel company which is part of CVG, the state-owned industrial complex slated for privatisation later this year Messer has been negotiating with several of the 11 consortia that have pre-qualified to bid for Sidor.

.The Venezuelan expansion plan is part of Messer's broader strategy of increasing its operations in Latin America through a \$500m investment package. Raymond Colitt. Venezuel

# Innovative plans in the pipeline

relatively minor hotels in creating a form of "poison

TransCanada's chief executive is credited with introducing long-term vision

rom his office high above the streets of downtown Calgary, Mr George Watson can see far into the distance.

It is an appropriate setting for the chief executive officer of TransCanada Pipe-Lines, whose long-term vision has transformed the once-staid utilities company into a diverse and expansive integrated energy company. Mr Watson, sharp, ener-

getic and personable, has led the company into nonregulated businesses by processing and marketing energy, a move that complements its core natural gas transportation operations.

TransCanada is looking closely at natural gas-fired fuel cells, cutting-edge technology that could reshape plants already in operation. Mr Watson plans to build many more small plants along its pipeline network.

TransCanada, which last year reported after-tax profits of C\$425m (US\$327m) on. assets of C\$12.6bn. CEO 1996. since 1994, Mr Watson has international arena and brought to it an aggressive. entrepreneurial spirit which is slowly filtering through

Analysts point to the com-

12 93 94 - 10 OC

small natural gas marketing companies that instantly brought qualified, marketoriented personnel to the

The toughest thing to do the auto industry. And with is change the culture. To four electrical generating have the vision is one thing, to enact it is difficult," Mr Watson says.

Diversification appears to be paying off. The company Analysts give him top is forecasting net profits marks for transforming from energy marketing operations will jump to about C\$40m this year, up more than 40 per cent over

Similarly, TransCanada's moved the company into the natural gas processing and power generation division should net C\$75m in profits this year, an 80 per cent increase compared with last year, International operations are expected this year

the first registered by the

But TransCanada remains primarily a pipeline company, with transmission profits expected once again to top C\$300m this year. And its the pipeline division that must contend with the largest competitive challenge facing the company, the Alliance pipeline.

lliance, a limited partnership among . 17 companies, primarily oil and gas producers, has proposed a C\$3.7bn natural gas pipeline from British Columbia to Chicago.

That will put Alliance in Short-term overcapacity is direct competition with a potential problem should TransCanada, which has announced a two-stage project to add an equal amount of capacity to its Canadian pany's acquisition of several to return a small net profit, mainline, stretching from TransCanada which brought

Alberta to north-eastern US markets. Industry insiders and analysts agree there isn't enough demand to build two pipelines.

TransCanada has secured commitments from suppliers that enable it to proceed with the first expansion phase, but it is not clear the company has sufficient support for the second stage, slated for completion

Alliance, on the other hand, has so far secured 15year contracts to transport an amount equal to about 80 per cent of its pipeline's capacity.

the two projects go ahead, but it is not clear who will blink first. Analysts point out it was

agree that Mr Watson learns his lessons well.

Scott Morrison to 6%.

developing countries.



**TEGE SA** 

NOTICE Shareholders are invited to attend the

**ANNUAL GENERAL MEETING** of TEGE SA to be held on

Friday, 20 June 1997 at 10,00 am at the Conference Centre, Hotel Royal Plaza Intercontin Grand Rue 97, 1820 Montreux, Switzerland

The Annual Report, Auditors' Report and Annual Group Accounts will be available to shareholders from the TEGE SA offices, Switzerland from 28 May 1997. A copy of these reports will be sent to shareholders, free of charge, on request, Entry to the Annual General Meeting will be permitted only on

presentation of share certificates or a bank confirmation stating the number of shares held. Alternatively, a confirmation may be sent in advance to the TEGE offices, to arrive no later than Friday, 1S June 1997, in order that Admission Certificates may be despatched to shareholders The reception area will be open from 09.30 am to 09.55 am. Admission certificates and ballot papers will be distributed during this period. The doors of the Conference Centre will close punctually at 10.00 am.

Shareholders are invited to join us for cocktalls and canapés after the For the Board of Directors

Jacques Hennessy Chairman

For more information plasse contact little Helens Kyrtakides TEGE SA Registered Offices: do Notary Pascal Pittst, Rue du Théâtre 3. 1820 Montreux, Switzerland Tel: +41 21 943 47 71 Fex: +41 21 943 42 44

Banque et Caisse d'Epargne de l'Etat, Luxembourg USD 19,000,000

Floating/Fixed Rate Notes due 6th June,

Notice of Early Redemption

As issuer, Borque et Caisse d'Epargne de l'État hereby gives notice to the holders of the above mentioned Notes that in accordance with the Condition 20 of the Notes, the issuer will redeem all of the Notes then outstanding on 6th June 1997. The Notes will be redeemed at the outstanding Nominal Amount in accordance with the terms and conditions set out in the pricing aupplement.

conditions set out in the pricing supplement.

Forments of principal will be made an or after the Redemption Date at the specified office of any of the Poying Agents listed below against surrender of the Notes together with all unmatured Coupons. Coupon No! maturing on the 6th June 1997 should be presented for payment in the usual manner in respect of the interest payment due on find day but otherwise interest will cause to occure on the Notes form the Redemption Date. Unmatured Coupons shall become void and no payment shall be made in respect thereof.

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Coupon ar: 1

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For the period June 02, 1997 in September 01, 1997 the new rate has been fixed at 10.29786 % P.A. Next payment date: September 01, 1997

Compon in: 13

Amount: FRF 2 603.07 for the denomination of FRF 100 000

FRF 26 030.70 for the denomination of FRF 1 000 000

THE PRINCIPAL PAYING AGENT

SOCIETE GENERALE BANK & TRIST SA.

LAXEMBOURG

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FRF 2 310.18 for the denomination of FRF 100 000
FRF 23 101.79 for the denomination of FRF 1 000 000

in the world's crowded skies, **Rockwell Collins Avionics** plays a key role in promoting safety and efficiency.



Mr Alan Sugar, Amstrad's founder and chairman, will sumer electronics group, and systems to citizen band cent. It recently bought the in Viglen Technology. Ams-radios to satellite television rump of Amstrad's original

hits out at

Dairy Crest, one of the UK's

three largest milk buyers,

has sharply criticised Milk

Marque, the sellers' co-opera-

tive, for seeking to process

its surplus milk into butter

and skimmed milk powder. The company, which yes-terday unveiled a 13 per cent

rise in pre-tax profits after

exceptionals in its first full-

year results since flotation,\*

said Milk Marque's process-

ing tenders raised competi-

tion issues and it should

man, said: "They're looking

at every way they can find

to prop themselves up, other

than by clearing the market

by means of price. They're

talking about using some of

the best milk in England and

Wales to make bog standard

ingredients with no added

Milk Marque, a farmers'

co-operative controlling

about 55 per cent of milk

supplies in England and

Wales, last month invited

dairy companies to tender to

process 900,000 litres of milk

a day during the summer.

The surplus arose after it

sold only 75 per cent of the

mulk on offer from April 1.

Mr Mike Dowdall, chair-

instead cut prices.

fine Maria a pro-

WENT .

Myers burn tight

900 m

L ( warmen . . .

PROPERTY OF STREET

trad's personal computer dishes. It pioneered market- consumer electronics busi-Amstrad, the company sales subsidiary, which will procurement from Asia. seek its own listing.

tronics in the 1980s, plans to latest stage in the tumul- keep ahead of much larger break itself up, it will return tuous 29-year history of companies. Mr Sngar f::00m (\$328m) in cash to Amstrad, the company more recruited, but then lost, a investors and give them responsible than any other number of key executives. A in bringing computers into proposed takeover by Psion. British homes.

In its heyday, moreover, Amstrad caught - and creraise at least £55m from the ated - successive waves of break-up and retain stakes consumer electronic fads, in Betacom, the quoted con- from "racked tower" music

adjusted £31.5m, after a

£900,000 exceptional charge

for flotation costs. Sales

from continuing operations

rose 3.7 per cent to £766.9m.

and farmhouse cheddar

cheese sales fuelled a 41 per

cent rise in consumer foods

operating profits to £26.7m,

including a full year from

the Mendip cheese acquisi-

tion, said Mr John Houlis-

But ingredients suffered a

adverse foreign exchange

ton, chief executive.

Strong growth in mature

manufacturing and direct led design and cost-efficient ness, whose brand names

The break-up marke the always nimble enough to the electronic personal organiser group, foundered

last eummer. Mr Sugar will remain chairman of Betacom, of which Amstrad owns 70 per

also include Sinclair and But Amstrad was not Fidelity. Mr Sugar compared Betacom yesterday to Amstrad at a very early stage.

His role at Viglen will be less active, as a non-executive director. Mr Sugar noted that Viglen had been independently managed since Amstrad bought it in 1994. Amstrad shares closed

value the complex demerger

ooe share in Viglen, which is bolders will receive loan expected to be listed in notes worth 1630 per share. August, and a pro rata distri- exchangeable for cash from bution of Amstrad's shares in Betacom.

The formula would leave Mr Sugar owning 24.5 per cent of Betacom and 35 per cent of Viglen. His intentions concerning the holdings will be announced later this week. Any change is 13%p higher at 277p, among likely to follow the pattern of his management roles, some uncertainty of how to increasing his stake in Betacom, up to a maximum of For each share in Ams- 29.9 per cent, at the expense up to 110p per share.

trad, investors will receive of his Viglen holding. Shareoext March. This portion alone is worth more than Mr Sugar's offer to take the company private, which was rejected by shareholders in

ه کامن برمیل

December 1992. Investors will also get "litigation vouchers", novel instruments entitling them to share in any awards arising from law suits against two suppliers. Estimates of

# LEX COMMENT

Amstrad has been through multiple gyrations over the past five years; now it is almost back where it began. A mobile communications business, Dancall, has been bought and sold; a computer husiness, Viglen, has been acquired and is being demerged; and the consumer electronics business, Amstrad'e old core now subsumed within Betacom, is still struggling. Shareholders who rejected Mr Alan Sugar's bid to take the company private at the end of 1992 have seen their

investment outperform modestly; but this is largely due to the fact that Amstrad's legal actions against US computer disc suppliers are bearing fruit.

Amstrad's break-up plan is logical enough and should deliver shareholders further returns. The current share price of 276p is near the bottom end of the valuation range for Amstrad's package of goodies. The value of two elements of the package are clear: the 163p in cash for each Amstrad share; and Betacom shares with a market value of 24p. The value of the other elements is less certain. Viglen's revenues may be growing rapidly but, with its margins under pressure, the profits outlook is fairly flat. Valued on a conservative 10 times historic earnings, it would be worth 60p for each Amstrad share; an optimistic multiple of 15 would give 90p. Litigation could bring in anything between nothing and 115p after-tax. Such calculations produce a valuation of 247p-392p for the total package, with the best bet probably in the

# to invest £470m By Virginia Marsh

**MEPC** 

MEPC, the UK's third largest property company. plans to invest £470m (\$766m) in property over the next four years, including £164m in the second half of this year. The majority of the invest-

ment would be in the buoyant UK market, it said yesterday, as it announced interim results showing a near 5 per cent rise in pre-tax profits, before exceptionals and gains on disposals. to £64.9m.

It aims to increase the its £3.3bn portfolio from about 43 per cent to closer to 50 per cent, and that of industrial property from about 11 per cent to up to 20 per cent. This would be at the expense of office property which, at present, is the

largest segment. The move is part of a lengthy refocusing of the group, which received a merger approach from Hammerson, its smaller rival,

earlier this year. The £64.9m profit figure was struck before a £73.2m charge related to the cancellation of sterling fixed interest rate swaps in April, and before net gains on dispos-als of £10.8m (£5.1m). MEPC made disposals of £119m and acquisitions of 251m in the six months to March 31. | ket rating fall far behind Toronto listing.

# Philippine Gold It aims to increase the share of retail and leisure in to list in Toronto

By Kenneth Gooding, Mining Correspondent

At a stormy annual meeting yesterday, shareholders in Philippine Gold, at present quoted on London's Alternative Investment Market, were told that it hopes to be listed on the Toronto stock exchange during October in order to improve its rating with investors.

Mr Michael Werner, the new chief executive, also revealed that at the time of the Toronto listing the com- PG's "world-class assets" pany would raise another \$30m (£18.4m) in new equity. The board was heavily criticised by one substantial

shareholder for letting mar-

had pointed out that PG was trading at the equivalent of \$8.54 per ounce of gold resources compared with \$85 for similar companies. Mr Blake Joyner, manag-

ing director of the Chicagobased Solonian Fund, said the 75 per cent drop in PG's share price in the past year meant the value of his investors' holdings bad fallen by \$1m. The board had not done nearly enough to promote and to ensure there was a liquid market in its shares. Mr Werner said that most

of the board members would be changed at the time of the



Chris Gent: the group had achieved good subscriber growth in the US

# **US** growth at Vodafone

By Alan Cane

The international operations of Vodafone, the UK's largest mobile phone operator, moved into the black for the £4m loss - £1m more than expected - because of first time last year, contributing £10.5m to record profmovements, which depressed its of £539m (\$878m). After allowing for profits

services. "We sustained our

leadership as the best qual-

ity network. For the first

butter and powder prices. Doorstep milk sales fell 12 of £26m on the disposal of per cent, but selective price fixed assets, the results were rises and cost savings in line with market expectapushed up profitability. tions and the shares beld firm at 271%p. Supermarket milk sales, Mr Chris Gent, chief execgrowing at only 7 per cent against 13 per cent previutive, said the group had

despite flerce competition. A final dividend of 6.64p, makes a notional total of 9.9p (9.1p), payable from nor-The Dairy Industry Feder- malised earnings of 22.4p " ation, representing proces- (19:1p).

ously, also increased profits

operations, taken as a whole, ing hy the end of the year. achieved an operating profit in Germany, however and customer growth overseas exceeded that in the UK."

Profits before tax came in 13 per cent ahead at £539m (£474m), while revenues moved ahead 25 per cent to £1.75m (£1.4m). The group now has over

4m customers worldwide, analogue networks. double the number from a year ago. Mr Gent said the group was no longer seeking looking forward to strong achieved good snbscriber growth in the US and ing spread of investments. extended its lead in digital

The group holds a 16.1 per operator SFR with an option, time our international up, to increase its sharehold- analogue networks.

In Germany, however, despite strong market growth, the performance of R-Plus Mobilfunk was disappointing. Start-up losses are expected to continue into

Vodafone now has more subscribers on its digital network in the UK than on

Mr Gent said he expected a modest decline in operating margins in the UK as a new licences overseas but result of an increased presence in the lower margin disprofits growth from its exist- tribution business and increased competition.

Average revenue per cuscent stake in the Freoch tomer for the year was £427 £558 for digital subscribers which is likely to be taken and £353 for customers on



You'd be surprised what we get up to at the Barbican. Only last month, the Godfather of world Music seduced a packed hall with his First Sitar concerto. The night proved once again that the LSO has few inhibitions. We often introduce an unusual note into our repertoire. Next month for instance, we'll be playing a piece written 20 years ago for Broadway but never performed in concert. If we're broad-minded about what we do, we're equally enlightened about where we do it. we've performed in venues ranging from Liverpool Street Station to the Alhambra gardens, granada. Of course we wouldn't get far without our sponsors, which is where you might like to come in. Talk to Moira Bennett on 0171 588 1116. Whatever part you play, we're sure the audience

will get quite carried away.

Ravi Shankar said Playing the Sitar is like making love." In that case, mere just staged an orgy.

Avionic

alet

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**U-Ming Marine Transport Corporation** (Incorporated with limited liability in Taiwan, The Republic of China)

> US\$ 90,000,000 1.5% Bonds due 2001 Adjustment of Conversion Price

NOTICE IS HEREBY GIVEN that as a result of the distribution of 29,735,811 common shares of U-Ming Marine Transport Corporation (the "Company") in the form of Stock Dividends for the year 1996, the conversion price of the Convertible Bonds will be adjusted, in accordance with Section 6.2 of the Indenture dated representation of the Offering Circular, the Conversion Right shall be suspended from June 21, 1997, the ex-dividend record date. Pursuant to 6(A)(I) of the Terms and Conditions of the Offering Circular, the Conversion Right shall be suspended from June 17 to June 21, 1997.

### COMPAÑÍA GENERAL DE COMBUSTIBLES S.A. U.S.250.000.000

NOTICE IS HEREBY CIVEN that the proposed Ordinary Resolut perspaper on Stth. 25th, 28th to 30th April was duly peased at a mee

SGA SOCIETE GENERALE ACCEPTANCE N.V. FRF 500 000 000 REVERSE FLOATING RATE NOTES DUE JUNE 2003 ISIN CODE: XS0043249960 ISIN CODE: \$\$5045249960

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# Racal makes a further profit warning

By Christopher Price

Racal Electronics yesterday issued its third profits warning in six months, announced 1,000 job losses and appointed advisers to help it

decide its long-term future. The hiring of the specialists, who will advise on the future of the data products business and the telecoms network services, prompted renewed speculation among

We are not hoisting a for sale sign over the group. Tha best way to improve shareholder value is to grow the business and that's what we intend to do," he said.

The announcements came as the defence and electronics group unveiled a 43 per cent fall in pre-tax profits from £70.4m to £40.4m (\$65.9m) in the year to March 31. Tha figures reflect hefty analysts that Racal would be provisions at Racal's lossproken up. Sir Ernest Har- making data products busi- profits would beat this year's profits warning in April, has

rison, chairman, denied this. ness. Operating profits from £40.4m. Analysts forecasts introduced new products in sources of capital, Partnercontinuing operations rose 6 per cent to £78.9m on sales 14 per cent higher at £1.14bn. from across the group's busiworkforce. Redundancy and reorganisation costs this

The job losses would come nesses and its 15.000-strong year would amount to about £14m, which would adversely affect first half profitability. However, Mr David Elsbury, chief executive, said 1997-98 pre-tax the subject of Racal's last

are bunched around £45m. Sir Ernest, 70, said Racal is examining a variety of options for its three core

businesses, which also include defence electronics. Attention to tha Floridabased Data products, which lost £19.1m during the year, remains a priority. Options here include a manage buy-out, flotation on Nasdaq, or an alliance. The division.

an attempt to improve mar-gins. Sir Ernest, insisted continue to be sought in the that he would "be at the helm of Racal to see this job through". But I hope it is done quickly because I would like an early retire-

Racal is also seeking a ation of the division over the partner for its telecoms ser- next 18 months. vices division, arguing that a tie-up with a global company in this sector would give it access to lucrative interna- being undertaken with a

De La Rue

shares fall 13%

group's defence electronics business. Poor trading in the radio business, which prompted December's warning, was continuing with the group warning of rationalis-

A review of Racal's other businesses, including its enargy division, was also tional traffic, as well as fresh view to investment or sale.

# National Grid policy change

By Simon Holberton

National Grid, the electricity transmission company for England and Wales, yesterday signalled its determination to hold on to Energis, its telecommunications company, which it previously said it planned to sell.

Mr David Jones, group chief executive, confirming the change in policy, said Energis had successfully developed in the past year through a series of commercial business arrangements with other telecommunications companies. "The value in the business is clearly increasing," he said. "That will continue with the com-

RESULTS

Apollo Metals ...... Beliaven Brewery ...

**Bacal Electronics** 

6 miles to Mer 31 Yr to Mer 30 10 miles to Mer 31 &

. Yr to Mar 31

Yr to Feb 28 6 miles to Mar 31 Yr to Mar 31

6 miths to Feb 28 6 miths to Mar 31

volt Global Snar \_\_\_\_ Yr to Jan 31 4 109.4

Yr to Mar 31 768.2 6 miles to Mar 31 12.3

6 miths to Mar 31 20.5 — Yr to Dec 31 •

Yr to Mar 31 1,458 Yr to Mar 31 1,185



David Jones: determined to hold on to Energis

(36.5 ) 1.91 (29.6 ) 3.92 (44.3 ) 0.451.4 (4.09 ) 1.97 (740 ) 35.54 (763.8 ) 105.94 (12.2 ) 2.44 (25.6 ) 0.603 (-) 14.3

(1934 ) (210 ) (1,487 ) (1,059 ) (17.2 ) (22.6 ) (1,402 )

0.603 14.3 1.61 2.54 16.2 591 40.44 2.26 11.81,4 539

37.6 7.66 767

16.8

21

Yr to Mar 31 154.11 (116.05) Yr to Apr 30 101.6 (88.2)

♠Alan stock, 

☆ Comparatives for year to May 31. 

¾ Proforma figures, 

◆ Comparative
income dividend element.

out Energis entering into a partnership with another company, a trade sale of part of the company, or even a

But he said the strategic

development of the company was being accomplished by commercial relationships, such as the one with Nortel, the equipment manufacturer, to supply research and development to the benefit of Energis.

The National Grid its down 4 per cent to £591.4m (\$964m) in line with expectations.

Turnover fell slightly to Mr Jones would not ruls although the 1996 figure ut Energis entering into a included £62.7m from discontinued operations.

4† 15.2 1.4L 6.3† 21.7 35 3.27 0.58 11.6

15.97† 24.3 11.3 7.36† 2.53L

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(39) (15.3) (34.7L) (6.6) (19.1) (50.5) (3.21) (1.82) (3.2) (1.13) (11.5) (13.12)

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June 30

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(1.36**Y** ) (67 ) (11.4 )

(617♣ (70,4♥ (1.86 )

(0.075)

(0.221 ) (5.47 )

Enrologe (Pm)

0.034

0.088 6.42

The group declared a final dividend of 6.68p making a

separate Stock Exchange total of 11.13p, a rise of 8.4 per cent. Earnings per share improved 6.1 per cent to

> Mr David Jefferies, chairman, said the company was confident that it would achieve real growth in dividends of between 4 and 5 per cent over the next four

The company believed that reported annual pre-tax prof- it could cut costs by an average of 6 per cent in real terms over a similar period, beating the target of 4 per cent set by Offer, the industry regulator, in its October price control determination. With the operation of the new price control from

before tax and exceptionals April, pre-tax profits are set to fall by about £220m.

to five year low Shares in De La Rue, the Paper, Packaging & Printing Index banknote printer, plunged 13 per cent yesterday to a five year low as it reported disappointing annual profits and analysts downgraded forecasts for this year. The company reported a 19

to £120.2m (\$195.9m) for the year to March on sales of £768.2m (£763.8m). The group took a £14.8m (£18.3m) charge for reorgani-

per cent slump in profits

sation De La Rue's shares, which have underperformed the market by 40 per cent over the past year, closed down 63½p at 421½p yesterday.

The company blamed the poor results on tough market conditions, especially in its banknote division, where overcapacity hit margins and volumes.

Operating profits for the security paper and print division, fell 18.5 per cent to £62.3m. Mr Jeremy Marshall. chief executive, said: "We do not expect any significant advances in sales volumes in the immediate future." A further concern is De La

Rue's inability to pass higher prices on to customers. "Prices went up 3 per cent and margins went In the cash handling busi-

ness, operating profits (23.75p).

this financial year," Mr Marshall commented. The company was upbeat about its fledgling transactions business, which produced profits of £7.6m. De La Rue reckons the

slumped 42 per cent to

£22.1m, because of invest-

ment in new products and

lower sales of high-margin

producte. "Profits should

move ahead in this division

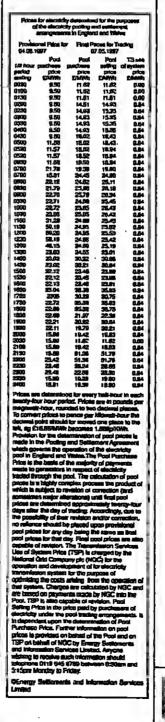
current \$1bn market for smart cards is set to quadruple by the year 2000. Camelot, in which De La Rue is a shareholder, con-

tributed £15.9m (£17.4m) of Earnings per share, before charges, fell 18 per cent to 34.8p. The final dividend is maintained at 16.5p, taking

the total for the year to 24p

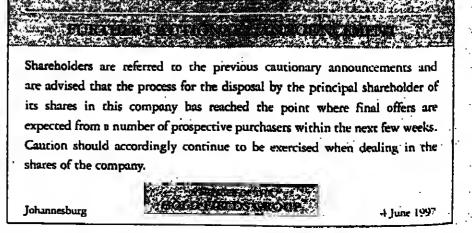
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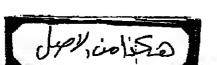
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Caspar Henderson looks at a European action plan on renewable energy options

# ighly charged debate

enewable energy technologies have few declared opponents. Not only can they serve environmental goals such as the reduction of carbon emissions, but they may also offer a range of other benefits such as enhanced security of supply and export industry poten-

But the speed and manner of their introduction, and the scale of the contribution they can make, remain con-

Nowhere is the debate more lively than in the European Union. Last November, the European Commission published a green paper suggesting that, providing member states agree a clear strat-egy, renewables' market share could double to 12 per

At that time, the European Parliament called for an ambitious 15 per cent target. Now, following public consultation (concluded last month), a resolution from the European Parliament and discussion at the Council of Ministers, a white paper and action plan are in preparation, for publication later this year.

Renewables supply less than 6 per cent of the EU's gross energy consumption as a whole, and of this 90 per cent comes from large scale hydro-electric schemes. But

renawable energy technologies. And, according to some analysts, European companies have built up significant international advantages in many of the most promising, including small ecale hydro, wind power. aspects of solar photovoltaic (PV) generation, and solar thermal power.

It is a period of extraordinary opportunity. "European electricity systems are undergoing profound technological and regulatory changes," explains Michael Grubb, head of the energy and environment programme at the Royal Institute for International Affairs and author of a recent study on the prospects for renewable energy in Europe\*.

"The need to retire old plant and meet new demand may require as much new capacity to be installed in the years up to 2020 as currently exists, with total investments exceeding Ecu 500bn (\$575bn]," he says.

But the place of renewables in the market is far from assured. An EU directive agreed last year means that from 1998, energy consumers will be able to shop is likely to be in other around for the cheapest

Belgium, Portugal and Greece. And so long as the emission of carbon is not regarded as pollution which bears an economic cost, combined cycle gas turkine power generation is likely to offer by far the cheapest means of electricity generation in the great majority of

Hitherto, most renewables in Europe have depended on subsidies. But current systems for premium payments on renewables in continental Europe cannot be sustained in the face of growing renewable capacities and increasing competition, says the study. Highest value applications

that is, where power is most expensive - are where it is easiest to see renewables thriving. "They will be the technol-

ogy of choice for the 2 or 3 per cent of the EU's popula-tion not on the grid, and for the roughly 10 per cent who are on grid in remote areas, particularly mountainous ones," says Grubb.

In a more price sensitive market, certain renewables may even be competitive on mainstream grids at peak



case for solar PV in southern executive of British Petroleum, a leading PV producer, sees this happening "within the next 10 years."

But there are other factors that could completely change the prospects for renewables. One is an unforeseen technological breakthrough. Another is

periods. This could be the of the Conference of the Par- are talking about a carbon ties to the Climate Change Convention in Kyoto this

There is a growing expec-tation that there will be a agreement to set targets for tive opportunities for renewa reduction in carbon dioxables" - so long as they ide emissions from the bigwork in partnership with the gest industrial econom says Stewart Boyle of the International Institute for Energy Conservation "A the outcome of the meeting number of key institutions

[dioxide emissions] market with tradeable permits as a practicable option ... This would suddenly create a whole new slice of cost effec-

Combined heat and power, which accounted for 7 per cent of power production in the EU in 1995, and is pretorise to 30 per cent

by 2010, will be another player Michael Brown, director of the trade association Cogen Europe says: The main e for us, and we this in common with the renewables industry, is that some of the strongest barriers to new entrents in energy markets are linked to

monopoly practice."

With so many factors to consider, this is a delicate time for the Commission, and Bruss els is keeping its cards close to its chest. But it is reasonable to assume that any long term frame-work outlined in the forthcoming white paper and action plan will draw on the green paper's suggestions of a system of renewable energy credits, minimum EU taxes on conventional energy sources, and measures to improve renewables

access to grids. · Teres IL a study of these options undertaken for the Commission, outlined a best practice" scenario. which sought to combine all the initiatives already proven to work on a smaller scale in different parts of the Union (from Britain's nonfossii fuel obligation to Ausscale-combined heat and

This predicted a 19 per cent reduction in the EUPs import dependency, 500,000 extra jobs and a 16 per cent cut in carbon dioxide emissions by 2020.

Grubb thinks that such studies underestimate the likely contribution of renewables because they do not reflect the structural and institutional changes that would accompany growing capacities. "Within three decades, renewable sources could contribute as much as half of Europe's electricity,

But Mecthild Rothe, a German MEP, fears Europe could fall behind Japan and the US in bringing renewables to market. A resolution drawn up by Rothe and overwhelmingly passed in the Parliament on May 16 is intended to be a wake-up call to the Commission. "is concerted action by the Commission, including legally binding measures and financial support." -

\*Renewable Energy Strategies for Europe, vol II: Royal Institute for International Affairs & Earthscan, May

Europe's renewable energy the Technology Page shortly.

# <u>Viewpoint ·</u>

Michael Meacher

# Sustainable way forward



ahont whether to

wave of the European single currency, the UK's Labour government faces an even earlier international challenge of considerable impor-

This month world leaders will gather in New York for the second Earth Summit. What lead should Britain be

The original summit at Rio in 1992 was a very mixed affair. It did achieve two legally binding conventions - one simed to prevent global climate change and the other to prevent the eradication of biologically diverse species - which were signed by more than 150 countries. It established E set of principles for the sustainable management of forests worldwide.

It launched Agenda 21 as a comprehensive blueprint for the global actions to achieve the transition to sustainable development that is, development that meets our needs without compromising the ability of future generations to meet their needs.

Bnt its weaknesses are equally obvious. No targets were set, so there is no measure of progress or backsliding. The drives towards deregulation and maximising economic growth work in the other direction and continue to be stronger. Governments have set up new high-sounding institutions, but little has been done on the ground. On the key question - is the world now more sustainable than it was in 1992? - the answer has to be No. But opinions divide

**∮**,d

sharply about what needs to be done. For the wealthy nations in the north, sustainable development means conservation, energy efficiency, recycling, and reversing global warming and ozone depletion. For poor countries in the sooth, it means equity, redistribution of wealth, transfer of technology, and a fairer trading system.

The north needs the co-operation of the south to cut down the greenhouse gas emissions caused by mass industrialisation. The south will not co-operate without a much more extensive programme of redistribution. Is a deal possible?

The north is right to be concerned about worsening degradation that seriously threatens the viability of the planet - though it is liself the main perpetrator. Global warming, which will generate hurricanes, droughts, floods and severe crop losses across the world, is primarily driven by concentrations of carbon dioxide in the atmosphere, and these are set to double within the next century compared with preindustrial times.

What is less understood is how global warming is now Michael Meacher is the UK's interacting with depletion of

Even before the ozone layer with mutacrunch ally devastating results.

New threats are emerging too. There are about 100,000 cbemicals in commercial join the first use, and their potential impacts on human health and ecological function rep resent unknown risks.

Worse, there are clear signs we are reaching the limits of ecological tolerance. In the case of fisheries, soil and freshwater, when the sustainable yield is even slightly exceeded, severe shortages can be

How can the needs of the north and the south be reconciled? A reduction or writing-off of debt for the most severely indebted countries could be linked to a commitment from them to preserve their rainforests and biodiversity. The damage to the environment from mass industrialisation in the developing countries could be minimised if the rich north made available the most advanced technol-

And the global environment would be protected if the north would accept that the multilateral environment agreements - on protecting the ozone layer, on hazardous waste, on trade in endangered species, on biodiversity and on climate change would take priority over the Gatt trade rules.

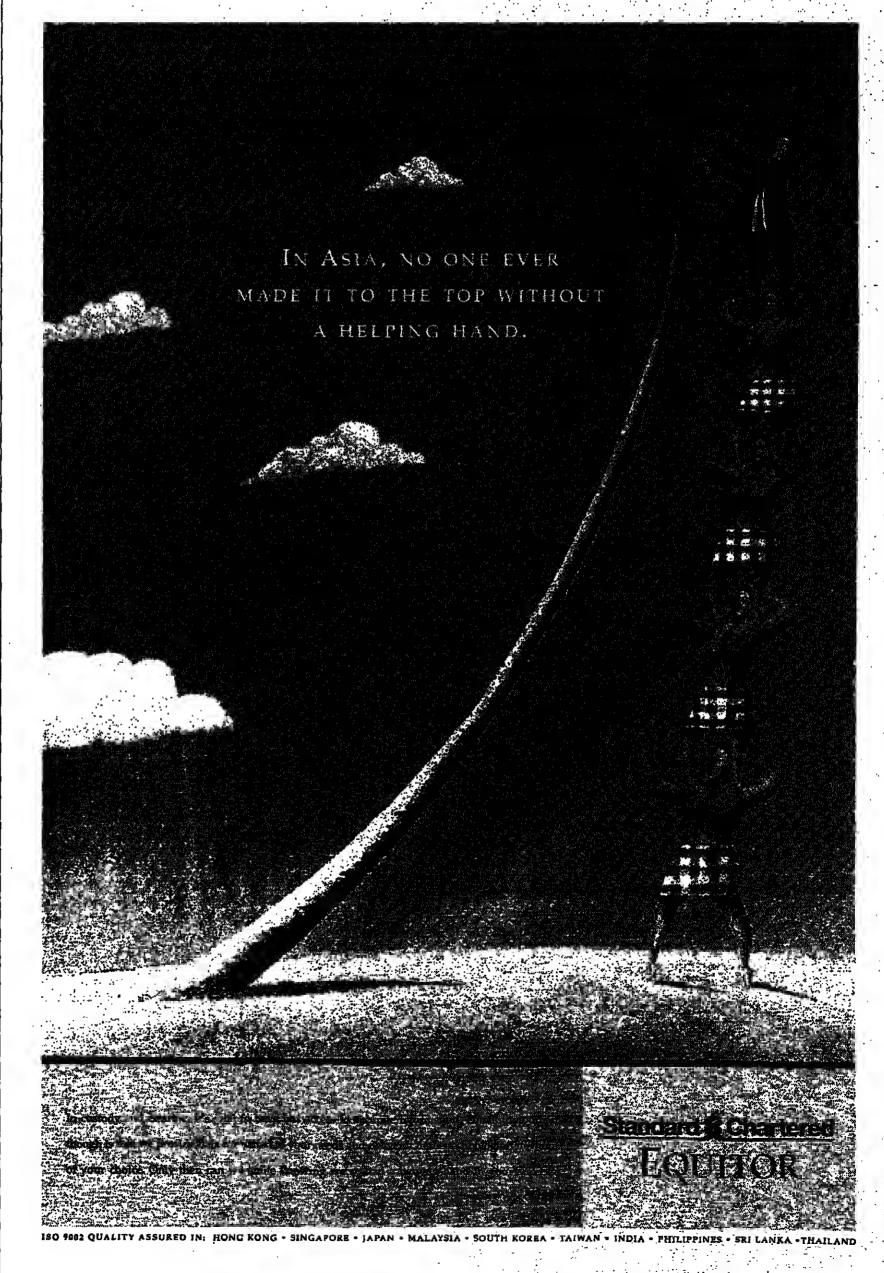
Agreement on these key issues would lay the foundation for further radical initiatives. A new Chemicals Convention could control the production and use of Persistent Organic Polintants (POPs), and develop a global harmonised system for the classification end labelling of chemicals.

A forestry convention is needed, though the south's concerns over finance, land ownership and a code of conduct for transnational corporations will have to be addressed first. And we need an intergovernmental panel on oceans with the same clout as the Panel on Climate Change, to protect the oceans as a vital food

Will the north find the extra funds required? That is the big question for 1997. In 1992, the secretariat for the first Earth Summit estimated it would cost \$625bn to implement Agenda 21, and of this \$125bn would need to be transferred from the north to the south. In fact, actual resource transfer is running at less than half this level.

We all know that the costs of prevention are less than the costs of treating a problem after it has become aggravated. Perhaps the secretariat should have been asked how much it would cost if we did not implement Agenda 21 over five, 10 and 15 years. My guess is that the ultimate cost of not moving towards a sustain-

ennironment minister.





# **Borrowers raise \$5bn in US** dollar sector alone

INTERNATIONAL BONDS

By Samer iskandar and Edward Luce

Yesterday was the most active session in recent all these issues perform memory, with borrowers raising \$5bn in the dollar sector alone - the equivalent of a week's supply in May.

The largest issues, concentrated in the 10-year area of the yield curve, accounted for more than half the total

Bankers said demand had been boosted by investors seeking to extend the duration of their portfolios. Fund managers have been too defensive for too long." said a banker in London. "Now they need to lock in some yield."

From a borrowers' standpoint the 10-year area offers the best swap conditions, allowing issuers to achieve attractive all-in costs once the proceeds are converted

into floating-rate liabilities. But syndicate managers warned that vesterday's pace of issuance could not be

"There has been too much supply, especially in the 10-year sector, and there is not that much cash going around," said one. "It remains to be seen whether well.'

Another banker warned that investors' appetite was ADB yield curve liquid and certainly satiated, at least in the near future". "There might room for a

few more issues, but only on a selective basis," he added. The ASIAN DEVELOP-MENT BANK returned to the global bond markets yesterday for the first time since 1995 with a 10-year, \$1bn offering. Priced to yield 18 hasis points over Treasuries. the bond held steady on the secondary market.

Mr Peter Balon, assistant treasurer, said the ADB was planning a further \$1.6bn in issues thie year, with a debut offering in D-Marks under consideration. The bank was also looking at issuing in Philippine pesos, Indonesian rupiah and Thai baht. It has already issued in Korean won and New

issne opportunistically in Asian local currencies, but to set up bona fide benchmarks for the development of local capital markets," Mr Balon said. "We will also be returning regularly to the dollar sector to keep the

active. Officials at Goldman 11 basis point level. Sachs, which led the deal jointly with SBC Warburg and Tokyo-Mitsubishi, said there was strong demand from US investors. An official at Tokyo-Mitsubishi said that heavy buying from Japanese investors after the

early start. "Japanese investors are more comfortable holding funding targets. Denmark dollar bonds now that the missed its chance to set a dollar has retraced some of its gains against the yen, said a syndicate manager.

launch gave the bond an

ELECTRICITE DE FRANCE launched its largest issue since 1989 and its "first benchmark in the dollar sector", according to SBC managers. The other, J.P. Morgan, said the deal

"We are not looking to was at least 50 per cent overtors, mainly in Asia, viewed thie deal as a quasisovereign issue," said a syndicate official.

Traders said the spread had tightened by two basis points from the launch level of 12 points, before stabilising in late afternoon at the

DENMARK'S issue of \$500m of six-year bonds failed to excite investors, who were deterred by the unusual maturity and the pricing over a shorter-dated benchmark

"The deal was too obviously driven by arbitrage, said one banker in London. "By aiming to meet tight new dollar benchmark."

FORD MOTOR CREDIT was among other large issues. Its \$1bn of 10-year bonds was priced to yield 60 basis points over Treasuries. Traders said the deal was well received with, particu-Warburg, one of the lead larly strong buying in the US. Between a quarter and a third of the amount is expec-

New international bond issues # US DOLLARS +18(8%May07) Goldman/SBCW/TMI +60(6%May07) Martil Lynch Inti (b)(6%May07) Commer/Morgan Sta Asian Development Bank Ford Motor Credit Co(I) Rhelnische Hypothekenbe Deutsche Bank Finance 99.427R Jun 2007 0.325R Jun 2007 0,458" Jun 2007 0,458" Jun 2007 0,2588 Jun 2004 0,2758 Jun 2002 0,258 Jun 2000 0,18758 Jun 2007 0,408 # D-MARKS Republic of Turkey Republic of Roman E STERLING Lloyds Bank E FRENCH FRANCS 99.553R Jun 2007 0.40R SWIES FRANCE CSFB Recublic of Italy TALIAN LINE III GUILDERS Republic of Finland 5.875 Kredietbank Luxembourg

23-24bp over Treasures, c) Call from Jun (2 at per, c) 3-mit Libror +80bp to Libror 3-mith Pibor +Sbp. f) 3-mith Pibor +15bp, g) 5% to 29/7/01, then 6%%, i) Over inte

ted to end up in American hands. DEUTSCHE BANK FINANCE felt the 10-year dollar sector was overcrow-\$500m of bonds with a sevenyear maturity. The deal, underwritten by Deutsche Morgan Grenfell, was priced to yield 18 basis points over

Treasuries. "There bas been a big portfolio switch out of European currencies and into dol- offering by DM100m to retail investors.

felt the 10-year end of the curve was in danger of being flooded," said a DMG official. The borrower has chosen a eeven-year maturity to attract investors with the cakes," said an official at extra spread over five years CSFB, which led the deal extra spread over five years and to respond to demand

for more diversity, be added. Elsewhere, strong demand for east European paper encouraged ROMANIA to

DM600m. Priced to yield 300 basis points over five-year bunds, strong demand caused this spread to tighten to 292 basis points after launch. "It sold like hot with DMG.

TURKEY'S five-year DM1bn offering was less well received, with traders saying it was tightly priced. The increase its debut D-Mark deal was targeted mostly at

# **Debut by** National Bank of Greece

By Kerin Hope in Athens

The National Bank of Greece yesterday launched a \$200m floating-rate subordinated eurobond, the first such issue by a Greek bank NBG said the issue was sold out "immediately after the launch".

The 10-year note, callable after five years, was priced to yield 60 basis points over three-month Libor. This margin rises to 130 basis points after five years, if the bonds are not redeemed.

Salomon Brothers and Chase Manhattan were joint lead managers of the issue, NBG's debut on the international capital markets.

Buyers attracted by the relatively bigb yield included UK fund managers and European and Asian banks, NBG said.

In addition to proceeds from the bond, which qualify as lower Tier-2 capital for regulatory purposes, NBG plans to raise \$400m in fresh equity on the Athens stock exchange later this year, of which \$100m-\$150m will be offered to international institutions.

A secondary offering of shares held by public sector organisations will be fol-lowed by a rights issue. The Greek state holds 5 per cent of National's sbares directly and another 43 per cent through public entities and state pension funds.

The issue will be structured to include the conversion to sbares of a bond issue last year, which was taken up by Greece's economy ministry.

NBG is expected to appoint Merrill Lynch and SBC Warburg as globsl co-ordinators for the share

# German gold compromise sends Europe higher

GOVERNMENT BONDS By Michael Lindemann in London and Jane

Martinson in New York Europe'e bond markets headed higher after the German government and the Bundesbank brokered a deal

on gold revaluation. However, Mr Stepben Hannah, bead of research at IBJ International, remained cautious. "It remains to be seen that there won't now be an how convincing any new Italian interest rate cut."

WORLD BOND PRICES

proposals to fill the German budget gap are going to be," be said. "We may see a bit of a see-saw motion in Euro-

pean markets." Mr Kirit Shah, chief markets strategist at Sanwa International, said: "Everyone is puzzled. The market has all the right ingredients for a sell-off or a correction. The technicals are weak, there's D-Mark dilution and there is even the possibility

weakness, the markets, especially France and Italy, were bolstered by strong domestic

recovery. The June bund Italy should be a first-round future settled at 101.45, up 0.68, and the spread of US tary union. BTPs narrowly Treasuries over bunds, outperformed bunds, with which had languished at 86 basis points in recent days, widened to 93 points.

FRENCH OATS followed suit. The June notional future rose almost a point to spread over bunds widened yielding 6.875 per cent.

■ BUNO FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

ITALIAN BTPs were

member of European monethe spread tightening one basis point to 134 points. The June BTP future settled at

129.80, up 0.62, ECU BONDS, whose

Despite the technical settle at 129.40, while the after the French elections, spread of bunds over OATs recovered some ground. The widened from 10 to 12 points. spread tightened 4 basis points to 29 points, suggesthelped by comments from ing the European single cur-GERMAN BUNDS led the European politicians that rency was being viewed more positively after the

German gold deal. US TREASURY prices were higher at mid-session as buyers turned positive on inflation ahead of unemployment data due at the end of the week. The benchmark 30year bond was up ¼ at 96%,

FTSE Actuaries Govt. Securities

119.71

178,89

0,17 0.80 1.03

119.50 150.87 177.07

One economist said retail also been anticipated. buyers seemed increasingly of substantial data before then would see prices move

'sideways, if not upwards". the release of leading indicators for April, which were in line with expectations with a rise of 0.1 per cent. A hawkish speech by Mr cent, while the 10-year note Robert Parry, a regional Fed- gained & to 100, yielding eral Reserve president, had 6.624 per cent.

5.38 5 yrs 5.93 15 yrs 5.02 20 yrs 7.10 tred.†

3.03 2.86 2.86

Political events in France confident that Friday's and Germany appeared to be unemployment figures continuing to prompt a flight would be positive, but a lack to the perceived safety of US Treasuries. In a muted reversion of

last week's trend for the There was little reaction to vield curve to steepen, there was more demand for the longer end yesterday. The two-year bond rose ត់ to 100%, yielding 6.182 per

7,06 7,27 7,32 7,41

Jun 3 Jun 2 Yr. ago

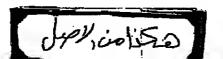
3.63 3.68 3.77 •

and rights issues. **UK** Indices ··· Low coupon yield ··· · Medium coupon yield ··· · High coupon yield ··· Jun 3 Jun 2 Yr. ago Jun 3 Jun 2 Yr. ago Jun 3 Jun 2 Yr. ago 7,62 8,34 8,41 7.04 7.16 7.17 7.13 7.66 7.27 8.36 7.27 8.41 7.09 7.14 7.14

Jun 3 Jun 2 Yr. ago

### **BENCHMARK GOVERNMENT BONDS** Price Change Yield ago ago Price Indices UK (98ts Coupon Date 11/08 85.8596 +0.390 7.35 04/07 98.2500 +0.590 5.85 03/07 102.4000 +0.710 5.92 08/07 105.8800 +0.090 6.51 03/06 111.2300 +0.750 6.29 03/02 100.2044 +0.550 4.70 04/07 98.3100 +0.870 5.73 07/07 101.2100 +0.710 5.84 08/06 108.2000 +0.630 6.63 10000 10050 10100 1,30 1,02 0,78 1.29 0.37 1.03 0.58 0.85 0.87 0.68 0.89 1 Up to 5 years (19) 2 5-15 years (21) 3 Over 15 years (6) IN NOTIONAL ITALIAN GOVT. BOND (STP) FUTURES (LIFFE)\* Lira 200m 100ms of 100% 199,2000 97,7500 115,9908 103,0100 100,2800 118,5000 107,4496 100-06 101-06 114-06 99-26 96-21 106,8300 +0.450 -0.030 -0.110 +0.600 +0.370 +12/32 +24/32 +26/32 +13/32 +1,100 7.07† 1.87 2.56 5.71 6.63 6.55 6.96 7.09 7.15 6.64 6.89 5.98 7.21 1.84 2.65 5.81 6.45 6.57 7.04 7.06 7.22 7.28 6.79 7.03 6.15 Sett price Change 129.80 +0.62 130.90 +1.15 129.20 129.65 83257 66151 58800 52584 MINOTIONAL SPANISH BOND FUTURES (MEFF) Open Sett price Change High 115.28 115.90 +0.71 115.96 114.50 115.11 +0.71 115.15 Low Est. vol. Open int. 115.26 136,046 92,216 114.50 6,198 18,311 **US INTEREST RATES** UK MOTIONAL UK GILT FUTURES (LIFFE) 250,000 32nds of 100% Open Sett price Change High Jun 112-28 113-14 +0-25 113-17 112-28 43076 Sep 112-30 113-23 +0-27 113-27 112-30 92317 ILLONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100% CALLS Sep 1-62 1-27 1-00 **BOND FUTURES AND OPTIONS** Ecu Low Est. vol. Open int. 129.40 127.78 97.20 +0.88 +0.84 +0.84 128.50 126.90 96.42 203,573 173,302 21,926 44,023 2 -Open Sett price Change 94.48 95.30 +0.84 -- 94.92 +0.84 Esst, vol. Open Int. 95.24 94.46 1,710 5,886 ■ US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100% 0.09 0.19 0.39 0.77 1.41 Latest Change High Low Est. vol. Open int. 110-04 -0-01 110-10 110-03 40,230 247,828 109-25 +0-01 109-30 109-23 310,825 270,252 109-13 +0-02 109-15 109-13 760 26,489 Est, vol Open int. UK GILTS PRICES | Simple | Chiese | Simple | Simple | Chiese | C frees Spc 2012‡‡ 7.73 7.19 116½ frees St\_ppc 2008=12‡‡ 6.37 6.83 86½ frees Spc 2012‡‡ 7.43 7.19 107½ +3<sub>2</sub> 875 +1 109<sup>1</sup>2 +1<sub>2</sub> 106 Treas 7-kgc 2012-15‡‡... 7,41 7.21 104½ Trees Sign: 2015; 11. 7.27 7.15 109; 25 +1 2 109; 25 -25 109; 2017 Asian Der 10-kgc 2009 462, Erisen 11-pe 2012 Leon 13-pe 2005 113 Lieuwood 3-pe inned 563 LOC 3pe '20 At 342, Minchester 11-pe 2007 30 Net Wr. 3pc '5 31 Res +14 543 +13 493 -- 664 +13 394 +14 354 -- 343 Conv 31<sub>2</sub>ge: '61 Alt. 5.44 Trues 3pe: '86 Aft. 7.84 Consols 21<sub>2</sub>pe 7.32

	FT/ISMA INTERNAT	ION	AL F	iO)	iD 9	ERVICE								
:			_											
•	issued					iequate secondary market. Latest pric iseved		_			lesued	Bid	Offer Cit	g Yk
	S. DOLLAR STRAIGHTS			_		Spain 7 <sup>1</sup> 4 03 4000 Volkswagen Intil Pin 7 00 1000	11012	1104	+36	5.19	Abbey Nat Treasury 9 00 £ 1000		10238 +	4 7
A	bbey Nati Tressury 6½ 03 1000 BN Armo Berik 7¼ 05 1000	1001	963 <sub>8</sub>	+	6.87 7.29	Volkswagen Intil Fin 7 00	1077	107% 104	14	5.47 5.15	Denmark 8% 05 8	1043 <sub>8</sub> 995 <sub>8</sub>	1044 +	
A	fican Dev Bk 7% 23 500	9812	987			World Bank 61 02 3000		105%		4.92	Depta Pinance 71 03 £ 500	97%	98 +	
Ņ	berta Province 75 96 1000	1013	101%		6.35	World Bank 71 05 3000	10912	100%	418	5.59	EB 9 03 £ 1000 Finland 7 00 £ 500	1033	1035	•
A	sker Dev Bank 64 05 750	083	1097 <sub>2</sub>		10.50 8.94	SWISS FRANC STRAIGHTS					Glasso Wellcome 81: 05 £ 500	99%	99% +	
A	gerifna 11 <sup>3</sup> g 17 2000 den Dov Benk 6 <sup>3</sup> g 05 750 ustria 6 <sup>3</sup> 2 00 400 udon-Wuent L-Fin 6 <sup>3</sup> g 00 1000	10412	1045	410	8.56	Asian Dev Bank 0 19 500	4312	4432	-34	4.56	HSBC Holdings 11.69.02 P 153	1161	1164 +	
8	nden-Wuest L-Fin 8 <sup>1</sup> s 00 1000 ancomest 7 <sup>2</sup> s 04	10312	103 k 923			Austria 41 <sub>2</sub> 00 1000 Denmark 41 <sub>4</sub> 99 1000 EB 31 <sub>6</sub> 99 1000	1084	106 4	-3	2.08	#aly 10 <sup>1</sup> 2 14 £	1254	126	1
		1014	1014		9.08	FIR 31 R9 1000	1033	1054	4	1.97 1.66	Japan Day Bk 7 00 £ 200	1111	99% +	
8	ayer Vereinstak 8 <sup>1</sup> s 00 500	10312	1034	_	6.62	EB 64 04 300	116	117		4.14	Ontario 11 to 01 £ 100	1113	1112 +	
8	elgium 5 <sup>1</sup> 2 03	835	937	4jê		Finland 7'4 99 300	1114	112	4	2.06	Powergen 87g 03 £ 250 Seven Trent 11 <sup>1</sup> 2 89 £ 150 Toligo Blec Power 11 01 £ 150	105	1054	. 7
B	High Gas () 21	15%	104 15%		6.84 7.90	Helistra Finance 33, 00 1000	1155-	105 <sup>1</sup> 2 116	1	217 242	Total Sinc Preser 11 01 P 160	107-3	107% +	
G	mada 63 05 1500	973	9712		6.91	lostand 75g 00 100 loter Amer Dev 43g 03 500	1091		ية.	3.11	TUNZ Fin 94 02 NZS 75	100-2	101 434	
C	heung Kong Fin 5 <sup>1</sup> 2 98 500	964	863	+3	6.50	Ontatio 6%, 03 400	116	11612	-	3.11	World Bank 9 98 N2\$ 260	1034	1035	
č	trina 6 <sup>1</sup> 2 04 1000 redit Fonder 9 <sup>1</sup> 2 98 300 est Japan Railway 6 <sup>5</sup> 8 04 800	104%	96 <sup>1</sup> 2 105		7,42 636	SNCE 7 D4 450	1012	105 <sup>1</sup> 2 122	4	3.55	Credit Local 6 01 FFr 8000 Denmark 5 <sup>1</sup> 2 99 FFr 7000	1003	100 +	
E	est Japan Railway 65 04 800	9712	973	44	7.08	Sweden 41¢ 03 500	109	108%	4	3.13	Bac de France 84, 22 FFr 2000	124 k	125 <sup>1</sup> 2 +1	-
듣	E 8 04 500	96 <sup>1</sup> 2 105	967 <sub>8</sub>	449	6.65	World Bank 0 21 700	32	324	ᅶ					
E	sport Day Corp 91- 98 150	MELL	10312	+4	6.78 6.35	World Bank 7 01	116%	11612		2.39	FLOATING RATE NOTES	Elici	Otler	C.
E	teion Capital () D4 1500 ed Home Loan 7 <sup>1</sup> a 99 1500 edeal Nati Mort 7.40 D4 1500	015	62	+14	a71	YEN STRAIGHTS						_=		_
R	to Home Loan 74, 99 1500	101 b	1015 10312	4.	6.46	Seigkan 5 99 75000 Creck Fonder 43, 02 75000	1084	109		1.46	Abbey Nad Tressury -1: 99 1009 Argenturie Globel Pin 0 01 700	99.82	99.99	5.5
Ä	nland 7% 04 1500	105	1064	~	6.91	BB 6% 00 100000	1114	112 1144	12	2.32	Cades -2 01 2000	99.56	89.64	53
R	rd Motor Credit 51- 02 1250	98	9612	44	7.02	Ex-kn Bank Japan 43 03 105000	111%	1124		2.33	Carles - 2 01 2000 Carada - 1, 98 2000 COCE 0 03 Ecu 200	99.77	99.83	5.6
G	neal Mis C 13 1000	28% 98%	26 <sup>3</sup> 4		8.57 6.38	Fed Nat Mort 2 99 100000 Inter Amer Day 74 00 30000	1015	1012	-	1.45	COCE 0 03 Ezu 200 Commercials Q/S Fin -1 98 700	99,74	99.09	5.0
'n	eneral Mills C 13 1000 Il Finance 5 <sup>1</sup> 4 98 650 Iss-Armer Dev 6 <sup>1</sup> 5 06 1000	9512	822	44		Inter Amer Day 74s 00 30000	1163	1165g 1064g		1.53	Court Lucencia à 00	96.20	98.70	5.7
ы	ter-Amer Day 712 05 500	10312	103	44	6.65	kely 5 04	1155	115%		268	Dresdner Finance 32 03 DM 1000	98.99	100.06	3.2
ľ	d Finance 54; 99 500	9512	96 <sup>3</sup> 2	44	6.75	bally 3½ 01         300000           kaly 5 04         200000           Japan Dev Bk 5 99         100000           Japan Dev Bk 6½ 01         120000           SNCF 6¾ 00         30000           Spain 6¾ 02         125000           World Bark 5¾ 02         250000	10814	10812		1.37	Fed Nat Mort -12 00 1000 Firtand -12 99 1500	99.76	99.81 100.03	5.3 5.6
h	aly 6 03 2000 aly 6 <sup>7</sup> g 23 3500	921	837	_	7.85	SNCF 6% 00 30000	1184	118 <sup>1</sup> 8 114 <sup>1</sup> 6	-48	1.88	Haller 99 (199	100.04		5.5
ď	IPEN DON BK 849 07 500	1054	108 <sup>1</sup> 2	ale a	6.67	Spain 64; 02 125000	11612	1161		2.10	Mr Benk Inti 1, 99 500 Inty is 98 1500 Inty 1, 98 Ecu 1500	100.33		6.0
K	098 Bis Power 6 <sup>1</sup> g 03 1350	95	95 <sup>1</sup> 4 102 <sup>1</sup> 8	#	7.49 6.90	World Bank 54 02 250000	115	115 <sup>1</sup> g		1.96	tote 3. 98 Fey 1500	100.31	100.37 100.34	5.9 4.3
Ñ	Sexico 87 <sub>1</sub> 07 1000	10412	105	3	9.37	OTHER STRAIGHTS					LKB Baden-Wuert Fire - 12 98 . 1000	99.92	99.98	58
N	lesis te Poler 74 02	9914	995	-	9.68	EBRD 14 98 R 250	99 <sup>3</sup> a	997		15.08	Licyds Bank Perp & 0.10 600	96.00	90.25	5.8
2	raterio 7°s G3 3000	1022	10234 10434	.1-	6.86	EBRO 14 <sup>3</sup> 1 98 R 250 World Bank 15 99 R 500	100%	1015		1423	Nove Scotle & 99	99.90	99.98 100.07	6.0
ŏ	eter Kontrollbank 8 <sup>1</sup> 2 01 200	105%	105		6.70	Austria 6 <sup>1</sup> 2 99 Fl 1000 PTT Nederland 6 <sup>1</sup> 2 05 Fl 1300					Ontario 0 99	100.14	100.21	5.8
М		82,5	95 <sup>3</sup> a	4	8.82	Bell Canada 105 99 CS 150	1105	111		5.19	Portugal 1 99 DM 2500 Quebec Hydro 0 98 500	100.28	100.33	13
2	uebec Hydro 9 <sup>3</sup> 4 05 150 AS 10 99 200	103%	104 <sup>1</sup> 8 105 <sup>1</sup> 2		8.54	British Columbia 7% 03 C\$ 1250	1072	107%		6.34	Renfe 0:05 500	99.82 99.78	98.92 100.05	5.8 5.8
S	NCF 9 <sup>1</sup> 2 98 150	103 <sup>3</sup> 4		٠.	6.73 6.40	Canada Mig & Hsg 84, 99 CS . 1000 Bec de France 84, 99 CS	106-3	106% 109%		5.08 5.12	Spain -1, 02 DM 2000	100.03	100.10	31
S	NCF 9 <sup>1</sup> 2 98 150 pain 8 <sup>3</sup> 2 03 1500	1004	100l <sub>2</sub>	•	6.36	KRW let Fin 10 01 CS 400	1133	1144	٠,	5.51	State Elk Vicatoria 0.05 03 125	99.94	100.09	5.7
9	waden 6 <sup>1</sup> 2 03 2000	9912		4	6,71	Nippon Tel Tel 104 99 C\$ 200	1107	1114	_	5.24	Sweden -1g Of 2000 United Kingdom -1g Of 2000	100.01	100.06 99.83	57 55
ï	ennessee Valley 9 00 1000 ennessee Valley 63 05 2000	96'2 97L.	95°1	4	6.90 6.94	Ontario 8 00 CS 1500	105%	103	**	824	CHEST KINDSON - I UT COM	90,433	\$3.07	مد
ц	DANG THECH LOWER, 0-17 no The 1000	974	9712			Ontario Hydro 9 02 CS 2000 Ontario Hydro 107j 96 CS 500	110%	113 <sup>1</sup> 4 110 <sup>2</sup> 2	ı, ı,	6.10 4.77	CONNERTIBLE BONDS			
U	nited Kingdom 6% (fi	1014	1017	-	8.39	Oster Kontrolloank 104 99 CS 150	1103.	1104	•	502		OTHE.		_
U	Inted Kingdom 74, 02	1037	103¾ 99	.1.	6.44	Charles Alaren 7 für PC 1000	-tel-	102%		6.66	leated 7		Sid Offer	
W	lorld Bank 6% 05 1500		974	***	6.67	Ousbec Prov 10 <sup>1</sup> 2 95 C8 200 Counci Europe 9 01 Ecr 1100	1084	10512	.1.	4.59	Alled-Lyons 64; 00 € 200		28 <sup>3</sup> 29 <sup>3</sup>	
W	torici Bank 5% 05	104%	105	护	6.19	Credit Foncier 8 2 04 Ecu 1000	1117	115 <sup>1</sup> 2 112 <sup>3</sup> 6	7	5.19 6.17	Deutsche Finance () 17 1300 320 Full Ind Finance 14 02 Y 210000		88 88 87 141/1	11:
				-		Dermark 612 02 Ecu	113%	1144			Gold Kalgoorie 7 <sup>1</sup> 2 00 65 1.	2002 9288 1	108 108 108 108	
	Eutsche Mark Straights Briz 6½ 24 2000	ncl.		. 1.		FC 0 00 Eq. 1400	474	1044	13	4.70	Grand Metropolitan 612 00 710		31l2 135l2	- 4
	den-Wuertt L-Finance 6 98 _ 2000		1044	+4	375	EB 10 01 Eco1150 Finland 8 <sup>1</sup> 2 07 Ecu 750	1167	11712	**	482	Hong Kong Land 4 01 410 (		81 f 85 f	
8	YERSCHE 12 GRO 6 08 1500	1014	1014	Į,	363	MRY 394 17 E24	17704	115% 124			Land Secs 6% 02 € 84		128 131	
G	edit Foncie: 7 <sup>1</sup> 4 08 2000	1084	108/2	+3	5.52	Raiv 10% 00 Seu 1000	1153	116 <sup>1</sup> a	**	475	Lasmo 7 <sup>2</sup> 1 05 £ 90 MSL Intl Fin 3 02 3000		973, 963, 053, 1054	
	pta Finance 6% (33 1500 )	104%	100	+2	5.44	United Kingdom 9½ 01 Ecu 2750	1144	114 <sup>3</sup> 2 107 <sup>3</sup> 2	4	4.63	Militari Bank 25, 03	326	80½ 80½	
	utche Bk Fin 7½ (0)		110 <sup>4</sup> 6 102	7	549	ADC 10 89 AS 100 Comm Ek Australia 13½ 99 AS _ 100	107	10722	<b>پا</b> ل	6.25	Pennsol 44, 03	8007 T	71 is 197h	
Ħ	C 6 <sup>1</sup> 2 00	106 <sup>1</sup> s	1064	+10	4.11	BB 74, 99 AS 352	115 2033	115 <sup>1</sup> 2 1043		0.40	Sando: Capital 2 02	10.63	28년 129년	-3
В	8 6 <sup>1</sup> 4 00 1500 ·	105 <sup>1</sup> 2	105%	+48	416	Next Australia Bank 61/2 98 AS 250	1004	100%	٠,		Sappi BVI Finance 7½ 00 250 Sapporo 1½ 00 Y 40000 N	76 1504 1	20 בעם הלומה הלחת	.g
H	stand 7½ 00 2000 ** state int 5½ 01 1500 **	1084	108%	٠,	4.04	NSW Terestate Zero C 20 AS 1000	17%	19	μŽ	7.77	Sumitorno Bank 31e 04	806.9	651 <sup>2</sup> 621 <sup>2</sup>	-6
ke Ke		1044g 105	1064	1	4.70	R & 1 Bank 7% 03 A\$ 125 State Bk NSW 9 02 A\$ 300	1024	1031	+	/1/	Sun Aliance 714 00 C 155	39 1	194 1204	-2
			100	73	للهن	CK INSTRUMENT AND	ICA-A	108		7.20	Transationic Hidge 5 <sup>3</sup> 2 08 E 250	5.05		+
Ų	Baden-Wustz 6 <sup>1</sup> 2 08 2250 1 ario 6 <sup>1</sup> 4 04	103%	1031,	4lo	6.09	Sth Aust Gost Fin 9 02 A\$ 150 World Bank 8 <sup>1</sup> 4 00 A\$ 100	1075-	108	مل	7.70	. No injustmental arrays and T " 250	340	,,, ,, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	



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### **CURRENCIES AND MONEY**

# Markets rest after Euro turmoil

MARKETS REPORT By Richard Adams

There was plenty of pushed it back to FFra.874 movement in the foreign exchange markets yesterday. chief analyst at Forexia in The dollar's chances of but the closing levels were London, said: "People trying making further inroads little changed from the previous day's trading.

Mr Marc Chandler, senior currency strategist at Deut the Socialist victory in the previously been a cap, but scha Morgan Grenfell in French elections could lead with that broken there was a New York, said the currency to a broadly based single New York, said the currency to a broadly based single maximum upside of markets were in a "consolicurrency helped the dollar DM1.7380. "Other than that, dative mood", not continue hit a high of DM1.7330 dure there's no reason to buy US, dative mood", not continu- hit a high of DM1.7330 dur-

On the London market, DML7261 the US dollar stood still against the D-Mark and the French franc, but lost ground against sterling. The Euro was launched on time dollar went up by a third of without strong monetary a cent to the pound, closing measures to support it. The at \$1.6361. ·

News that the German government backed down in its gold revaluation battle with the Bundesbank stirred the European markets. The French currency hit s low

CROS

fA

yesterday. Mr Chris Dunne, their fingers burnt."

Market perceptions that

Traders said a broadlybased Euro would be good news for the dollar, if the

Pos	nd in Mow Y	OIX
Jun 3	-Latest-	- Prav. class -
2 spot	1.6365	1.8355
1 mg	1.6354	1.6344
3 mth	1.6332	1,8322
1 yr	1.6302	1.6236

for the year of FFr3.386 Socialists are less committed against the D-Mark after the to meeting the criteria laid election results, but the down in the Maastricht weakness of the D-Mark treaty, underpinning the dollar in Europe.

good, according to chartists. Mr Dunne said DML71 had ing the volatility seen in the ing early trading in Europe. fundamentally," Mr Dunne Asian markets.

It later slipped back to said, who recommends selfing above DML73.

the dollar caused by the wor-ries over the single currency rowed by Y0.4 to Y116.1. in Europe. "I think most people believe that Emu will



Mr Chandler said there along with sterling, was was a "slight bias" towards gaining from the search for a

■ The Swedish krona appre a weak Euro," he said.

A decline in the dollar against the Japanese yen also held down the dollar against the D-Mark yesterday. Traders said the yen, possibility of later entry.

Closing Change mid-point on day

DOLLAR SPOT

been heavily anticipated by ple majority. Mr Edd the market, but the krone George, the governor, his still gained another two ore the casting vote in a tie. against the D-Mark, closing Mr George will sit tom at SKr4.49.

The proximity of the UK's Bank's executive director mini-budget on July 2 is Mr Mervyn King and Mr Is weighing more heavily on Plenderleith, and "outside sterling than the inaugural members Professor Charle meeting of the Bank of Goodhart and Professor W. England's Monetary Policy lem Buiter. Sir Alan Bud Committee (MPC), currency will sit in on the meeting a

independent interest-rate meeting, including any vo-setting body starts tomorrow taken, will be published by at 3pm, with any decision the Bank within six weeks announced on Friday at noon (11am GMT). The MPC Fears that the governir will vote on interest rates at Liberal party in Canad the end of the meeting, with were going to lose the

The announcement had the decision made on a sh

row with Mr Howard Davis the deputy governor, th the non-voting Treasur The first meeting of the observer. Minutes of the

> majority, after early election results, pushed the Canadia dollar out to C\$1.3830 again

the US dollar. But later results made clear the Liberals won retain power and the Can dian currency recovered; C\$1,3748 in London.

WOR	D INT	EREST	FATE	5	i de la		
	Y RAT				- inc		-
****		Over On		· Six		omb. Die	
Belgium :		-	34	34	39	6.00 2.5	0 -
Germany	7.1.		34 34	314 32		3.10 4.50 2.5	- 4,72 0 3,00
Ireland '		64 · 6	4 6%	64	65		6.75
Rely Neitherland		37 3	4 34	374	3%	825 6.7 - 2.5	0 2.90
Suitzerian US	_:		5	114	8%	- 1.0 - 5.0	
Japan		ÿ.	1 1	. 4		0.5	<u> </u>
# \$ LIBO			B 58	58			
DS Doller BCU Links	CDs	- 5.4	6 5.58	5.70 4%	5.98	-7	- (· <u>-</u>
SDA Links	d De	- 3	3%	3%	31	Ē	
reference b	derbank by drive at 1 to	no each wo	dig day.	The perso	nom quote san: Sant	d to the ma and Trust, Be IR Lichted Day	nk Of Tel
Mil mor st	show for t	he domestic	Morey Pain	LIBS CO	E BOU & BO	IR Links Dec	cefs (Del.
	CURR			_	RATES		
Jun 3			days office r	One nonth	Three months	months	One year
Belgian Fra Panish Kro		- 34 3H			3 <sup>3</sup> 4 - 3 <sup>3</sup> 4 3 <sup>1</sup> 4 - 3 <sup>2</sup> 4	31 <sub>2</sub> - 31 <sub>4</sub> 31 <sub>4</sub> - 32 <sub>4</sub>	32 31 4 312
Germen Ma	ark 3 <sup>1</sup> 9	- 24 34	24 3	- 217	3/3 - 211	. 35 - 3	33 - 31
Dutoh Guil Franch Fra	nc 34	- 34 34	- 34 3	3 A	37 - 37	3월 3월 8월 3월	313 - 3 318 - 3 513 - 5
Portuguese Spenish Pa	meta. 514	- 52 5H			5號 - 5强	64 52	54 4
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Stallan Lice.	7/2	-62 63	- 684 87	- Ale	617 - 61°	501 - 611 611 - 612	6H - 6
Japanese * Asian \$Sin	3 32	- 3-1 3-2	- 32 3	- 27	34 35	311 - 314	34 -3
Short term	E MOONTH.	FEOR P	Dollar and	Yan, oth	ets interbar	ak offered ra	
		Sett price				Est voi	
Jun .	96.42 96.40	96.52	+0.18	98,53	96.42	54,800 30,551	64,583
Sep	96.40 '-		+0.10	96.48		11,657	57,113 34,387
W Trees	HTHOME	MUNOSEA	AK PUTT	THE (L	TE DMI	m points of	100%
Jun	Open :	Sett price	+D.01	. High. 98.81	95.80	21038	Open a 21477
Sep.	98.73	96.75	+0.03	96.75		31827	21351
Mar .	26.46	96.53	. +0.07	96.53	96,46	28193	21773
DIEC'S						points of 10	
.Am	Open	98.85 ·	Change +0.01	-	LOW	. 0	Open k
Jul Aug	÷.,	96.84 96.81	+0.01	- : '	: -	0	350 119
Sep .	-	96.79	+0.01			ŏ	. 3
- There						m points of	
Jun	Open 93.17	Sett price 93.21	+0.07	High 93.23		21797	Open in 93820
Sep Dec .	93.35	93.44	+0.07	93.45	93.56	. 23373 , 16522	10345 55038
Mar '	93.69	93.79	+0,12	93.80	93.68	5647	37175
THE PERSON	Open	Sett price				s points of 10	
Jun	98.84	98.74	-0,07	98.84	D8.69	Est. vol 17536	Open in 48977
Sep Dec	96.72	98,30	-0.09	98.72	98.63	19967 8982	57226 33409
Mar	98.34 .	98.24	-0,09	98.37	98.18	2107	14709
W Thirtie		Sett price		HEAD SEE	HOLI (E	points of 10	Open k
Jun		89.38	+0.01			. 0	n/a
Sep Dec	99.16 98.82	99.18 · 98.83	+0.01	99.16 96.83	99,15	337	n/a n/a
THE		ECU FUT					, 44
	Open	Sett price		High		Est, vol	Open k
Sep	95.85 95.84	95.87	+0.03	95.88	. 95.84	, 1056 344	8020
Dec '	95.79	. 25.83	+0.08	95.B3	. 95.79	278 .	6945
Mer-	95.72	95.73 ded on APT	+0.07	95.73	95.70	267	3815
· UPPE NA	LIKA OFT	KONES (LJF)	13 L1000	n points	of 100%		<u> </u>
EURO							
· UPPE NA	Jui		HS	)ec	Jun	Stp	Dec
Strike		0.5	8 D	.80 .82	Jun 0.03 0.10		Dec 0.15 0.22

# Jun 3 102.6 105.2 82.2 105.4 103.8 84.8 97.2 78.2 102.6 102.2 98.5 0.3 1.0931 0.7 -0.5 2765.94 0.4 3.2 56.3943 3.3 3.3 3.0731 3.3 3.1 11.3211 2.9 0.7 1.0 238.197 1.4 2.2 12.4208 2.1 4.9 2.2372 4.8 100.0 1.4483 +0.0011 472 - 403 1.4515 1.4427 1,4458 2.2 1,4397 American Argentina Brazil Cemada Medoto IN USA New Toriginal Hong Kong India Israel Jepan Malaysin New Zeatan Philippines Saudi Anabis 1.6359 +0.0033 358 - 364 1.7528 +0.0047 521 - 535 2.2482 +0.0005 481 - 503 12.9367 +0.0061 246 - 468 1.6361 +0.0032 356 - 366 1.7543 2.2615 12.9582 1,7459 2,2436 12,9138

(Sch) 12.1487 -0.0012 480 - 513 (SF1) 38.8300 - 100 - 500 (DN) 9.5785 -0.0035 725 - 745 (FM) 5.1738 -0.0245 713 - 783 (FF1) 5.5230 - 225 - 225 (DM) 1.7281 -0.0001 288 - 283 (DI) 274.065 -0.0748 550 - 570 (A) 1887.06 -0.0748 550 - 570 (A) 1887.06 -1.55 640 - 770 12.1970 12.1220
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-1.5 1.1345 5.8114 1.7224 276.87 1.4858 1688.95 55.555 1.9382 7.1078 174.335 145.805 7.7434 1.4312 1.535 1.1311 -0.0748 850 - 870 -1.55 640 - 770 . - 100 - 500 -0.0002 420 - 425 -0.0962 224 - 274 +0.19 200 - 500 -0.057 780 - 850 -0.057 780 - 850 +0.008 357 - 365 +0.008 357 - 365 +0.008 358 - 365 (H) 1887.05 (F) 35.6500 F) 1.9423 (R0) 7.1949 (E4) 174.350 (SH) 7.7528 (SP) 1.4551 (SP) 1.6561 - 1.1297 - 0.72132 Argentini Brazil Canada Mexico 1.0718 1.2748 7.9070 +0.007 712 - 714 -0.0024 745 - 750 -0.012 020 - 120 1.0717 1.0708 1.3860 1.3717 7.9130 7.9010 3186 1,3188 1,8149 -0.4 1,915 -0.2 1,914 0.0 7,748 7,7430 7,745 -0.2 7,7484 -0.1 7,7895 -0.2 8,825 35,7870 85,885 -8.0 36,17 -4.2 33,875 5,1 4,098 3,4010 6,850 115,700 115,545 5,7 114,44 5,7 100,54 5,7 5,6185 2,5146 2,5198 -1.1 2,2239 -1.0 2,5408 -0.9 4,8535 1,8515 1,8521 -0.7 1,8555 -0.9 1,8658 -0.9 1,8658 -0.9 1,8658 -0.9 1,8500 3,7502 3,7508 -0.1 3,7513 -0.1 3,7542 -0.1 4,330 1,3310 1,4238 1,4 1,4258 1,5 1,404 1,9 1,4754 4,4890 4,51 -10.6 4,5675 -10.5 4,8656 -0.3 3,800 888,400 -27,8540 27,8608 0.0 27,8828 0.0 27,8888 0.0 tetic above only the lest three deci-trained & ECU are quested in US que ternet at Manufaceure FT.com

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		THE REAL PROPERTY.													Pact		e Esery	RICA			
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•	(Pe)	58.5842	+0.0999	054 - 2	30 58.6	380 58	3720		-	-	-		•	-	Inda		(Fas)	36,7950	-0.01	700 - 200	35.B
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	m	189,951	-0.284	B11 - 0	91 191.	190 18	0.010	188,891	6.7 1	86.881	6.5	178,066	6.3	131.0	Jene	1	m	116,100		050 - 150	116
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s	(Pasa)	43.1358	+0.071	899 - 8	17 43.1	853 43	0207	-	-		-		-		Phillip	pine	Part	26,3650	-0.009	450 - 850	28.3
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EXCH/ Belgium Denmark France Germany Ireland Italy Netherland Norway Portugal Spain Sweden Sweden Sweden 50.01 9.226 20.44 3.770 24.44 4.508 45.96 2.479 24.81 4.577 58.29 10.75 25.92 4.781 35.63 6.574 30.69 8.662 0.945 0.386 0.462 0.866 0.469 1.101 0.489 0.673 0.560 0.760 2.726 1.114 1.332 2.505 1.352 3.178 1.413 1.942 1.673 2.194 4.087 4.887 9.190 4.961 11.66 5.163 7.125 6.137 8.049 204.6 63.63 100 188.1 101.5 238.6 106.1 145.6 125.8 164.7 0.858 0.351 0.418 0.788 0.425 1 0.446 0.611 0.525 0.690 2382 973.4 1164 2189 1162 2777 1234 1697 1462 1917 1,494 0,574 0,695 1,290 0,695 1,696 0,727 1 0,861 1,130 162.9 79.83 148.8 80.84 190.0 84.46 118.1 100 131.2 0.508 0.607 1.142 0.818 1.448 0.844 0.885 0.782 3.340 3.994 7.511 4.055 8.527 0.980 1.184 2.226 1.202 2.824 1.256 1.726 1.487 1.950 0.824 0.995 1.852 1 2.350 1.045 1.438 1.237 1.622 0.769 0.943 1.773 0.957 2.249 1 1.375 1.184 118.6 224.8 121.4 285.3 126.8 174.4 150.2 197.0 5.317 10 5.398 12.68 5.638 7.763 6.678 6.758 6.578 IN D-MARK PUTURES (MM) DM 125,000 per DM

Latest Change High 0.5808 +0.0025 0.5810 0.5845 +0.0025 0.5856 0.5862 +0.0022 0.5882 LOW Est, vol Open int. 0.5776 0.5813 0.5882 47,565 11,126 181 77,072 12,386 506 E SWISS FRANC FUTURES (IMM) SFr 125,000 per SF 0.6979 -0.0014 0.7018 0.6978 0.7057 -0.0018 0.7085 0.7080 0.7158 - - 0.7150 20,961 1,375 13 40,114 6,318 432 UK INTEREST RATES LONDON MONEY RATES

Jun 3 33g · 4 63g · 84g 842 · 63g 644 · 646 644 · 646 74 · 648 63g · 84g 644 · 644 642 · 642 643 · 644 647 · 647 644 · 642 647 · 647 644 · 644 648 · 64g · 646 644 · 644 648 · 64g · 646 644 · 644 648 · 648 644 · 646 644 · 644 648 · 648 644 · 646 644 · 644 648 · 648 644 · 646 649 · 648 644 · 646 640 · 648 644 · 646 641 · 642 644 642 · 644 644 643 · 644 644 644 644 645 · 646 646 · 648 644 647 648 648 644 Interbank Sterling Sterling CDs Treasury Bills Bank Bills ate 6<sup>1</sup>4 per cent from May 6, 1997 Up to 1 1-3 3-6 month month months m 6-9 512 5 Certs of Yan dep. under \$100,000 is \$1\_{200}\$. Deposite efficience for cash \$1\_{400}\$. Ass. Stricker mits of discount on May 30, \$2.700pc. ECRD fored rate Stip. Sport Fat policy May 30, 1997. Agreed rate for partial Jun 22, 1997 to Jul 23, 1997. Scheme 19 April 24, 1997 to Jul 25, 1997. Scheme 19 April 25, 1997. Scheme 19 April

Est. vol Open int. 93.38 93.21 93.05 92.93 92.84 93,37 93,20 93,04 92,92 92,83 +0.02 +0.05 +0.05 +0.06 +0.07 93,35 93,14 63,96 92,86 92,76 93.35 93.17 110257 108665 98613 62415 46324 IN SHORT STREETING OPTIONS (LIFFE) 2500,000 points of 100% Sep 0.14 Strike Price Jun 0.02 0.15 0.38 0.10 0.03 0.01 0.31 9325 9350 9375 0.09 0.02

0.49

o int. Colle 179917 Purs 175443 BASE LENDING RATES #Singer & Friedlander 6.25 #Smith # Willman Secs 6.25 Адат & Соптрату Sketer Bank Umited 7.25 Financial & Gen Bank 7.00 7.25 Alled Irish Bank (GB) 6.25 **GHarry Ansbucher** eRobert Fleming & Co6.25 Bank of Baroda 6.25 United Bank of Kuy Habib Bank AG Zurich 8.25 Unity Trust Bank Pic 8.00 GHombus Bank 8.25 Western Trust 8.25 Hantable & Gen Inv St. 8.25 Whiteeway Leichew 6.25 Bank of Cypnus Bank of Indiano Bank of India 6.25 C. Hoare & Co Sank of Scotland Hongleong & Strenghal 6.25 Investor: Bank (UR) 136.25 Berdays Bank Brit Bk of Mid East 6.25 Julian Hodge Bank 6.25 Investment Banking OBcomes Shiptory & Co. Ltd 6.25 **Cheopold Joseph & Sons 6.25** 

825 625 625

6.25

6.25

8.25

CEDER NA

Coutte & Co

The Co-operative Banks 25

Cyprus Popular Bank 6.25

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Lloyds Bank Midland Bank NatWestminst

@Rea Brathers 6.25 Royal Bk of Scotland 6.25

ESE YEN FUTURIES (MM) Yen 12.5m per Yen 100 Change +0.0039 +0.0043 +0.0050 0.8862 0.8764 0.8870 Open Latest Low Est, vol Open Int. 0.8598 0.8713 0.8571 13,248 4,405 16 +0.0028 +0.0030 +0.0010 1.6378 1.6368 1.6310 1.6310 1.6304 1.6370 1,6340 EMS EUROPEAN CURRENCY UNIT RATES Rate Change against Ecu on day % +/- from % spread can rate v weekest 0.783045 +0.006512 198.105 +0.448 5.89892 -0.02047 1927.99 -3.91 165.898 -0.03 7.46972 +0.00142 2.20717 +0.00142 1.96151 +0.00084 13.8068 +0.0072 40.4875 +0.0056 0.796708 187.396 5.86424 1906.48 163.826 7.34555 2.16973 1.92573 1.5485 39.7191 6.45063 -4.47 0.36 0.58 1.12 1.14 1.99 1.72 1.86 1.91 1.93 7.18 2.02 1.82 1.25 1.24 0.86 0.52 0.48 0.45 295.259 0.793100 5.88 -12.40 312,628 +0.013 0.684743 -0.001247 -3.50 16.89 PUTS Jul 1,620 1,630 1,640 1.86 1.18 0.69 2.51 1.94 1.44 3.08 2.51 2.08 0.42 0.70 1.21 1.12 1.53 2.06 PUTS

Jun 0.64 0.38 0.22 0.74 0.97 1.22 1.00 0.73 0.52 0.31 0.55 0.53 0.82 III THREE MONTH EURODOLLAR (IMAG S1m points) of 100% Change High LOW Est. voi Open Int. 94.19 64.00 93,77 94.19 94.00 93.76 94.19 94.01 93.79 94.18 93.09 93.77 34,838 77,190 408,812 477,721 102.374 377.526 IN US TREASURY BULL FUTURES (HAM) \$1m per 100% 94.95 94.64 +0.01 +0.01 371 357 Strike Price 0 0.13 0.44 Ang 0.05 0.01 0 Aug 0.07 0.05 0.06 0.04 0.04 0.07 0.26 0.50 0.26 0.60 CALLS 0.02 0.03 0.28

# 1996 dividend payment

E-POULENC PUPORIAS ITS SHAREHOLDERS

Ordinary "A" shares FF 3.50 plus FF 1.75 tax credit. Preferred "B" shares FF 4.75 plus FF 2.375 tax credit. Record date: June 3, 1997.

Shareholders have the option of receiving dividend payments in ordinary "A" shares or in cash. The option period is from June 3 to June 23 inclusive. For shareholders who do not respond vie their financial intermediary during the option period, payment will be made in cash.

· Ordinary "A" shares paid out as dividends will have an issue price of FF 169 and will carry full dividend rights as of January 1, 1997. Dividend in cash will be paid as of July 4, 1997.

For additional information, contact: +33 1 47 68 00 97 RHÔNE-POULENC



Korea International Merchant Bank US\$30,000,000

Negotiable United States Dollars Floating Rate Certificates of Deposit due Nov 1999 In accordance with the provisions of the Certificates of Deposit, notice is hereby given that for the period from 30/5/97 to 28/11/97 the Certificates will carry an Interest Rate of 6.4625% per amount calculate on a principal amount of:

US\$8,167.88 per Certificate of US\$250,000

Standard Chartered Standard Chartered Bank As Reference Agent

NOTICE To the holders of the ou BANCO BNL DO BRASIL S.A. U.S. \$20,000,000 Principal Amount 10.75% Notes due November 27, 2001 saled under the U.S. \$50,000,000 Euro Medium Term Rote Program

FISCAL AGENT The Classe Membelson, But Still Floor Thinky Tower 8 Thomas More Street London Et 97T, Engand SÃO PAULO PAYRIG AGENT

The Financial Times plans to publish a Survey or South Africa on Tuesday, October 21

For further information, please contact: **Gareth Jones** Tel: +44 171 873 3238

Fax: +44 171 873 3595 or Chris Manson in South Africa

Tel: +27 11 463 2250 Fax: +27 11 463 7193

or your usual Financial Times representative FT Surveys

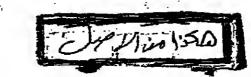


U.S. \$137.38 and U.S. \$137.36.11 per U.S. \$1,000, U.S. \$10,000 and U.S. \$1,000,000 Notes respectively. The relevant interest Payment Date will be 3rd September, 1997. Swiss Bank Corporation

MORTGAGE FUNDING CORPORATION NO.6 PLC £134,500,000 25,500,000 hack Notes than November 2023
In accordance with the provisions of the Notes, notice in hereby given that for the interest period 30 days 1997, to 29 August 1997, the Interest new will be 575% for the Class. A 1 Notes and 7.373% for the Class. A Notes, The interest psychole on the mindre psycont due: 29 August 1997 per developing 1997 by the developing 1997 by the force 29 August 1997 by the developing 1997 by the force of the for



ALLIANCE LECESTER er & Leisener Building Society £200,000,000 ting Rate Notes due 2000 of the interest period 30th May, 1997 29th August, 1997 the Notes will stry a Rase of Interest of 6.775 per ent. per tennem with interest autour of £168.91 per £10.000 principal ar £1,689.11 per £100,000 principal p



# Liffe considers potato futures revamp

London's potato futures contract may be relaunched, in an attempt futures exchange, ditched its the Dutch model, which has been to persuade the UK's large potato

processors to start using it. Commodities officials on the London International Financial Futures Exchange hope that a new contract - which could be launched by the late aummer would become more heavily traded than the current one.

The aim of any revamped potato fluctuations, the average daily volcontract would be to ensure that it ume in May was 113 contracts.

does not go the way of the French version, which was closed down potato contract might be, Liffe's last month. Matif, the Paris-based commodity experts are looking at potato contract because of declining interest in the market.

reached a peak of 134 daily trades in 1994 but has recently sunk as low as 20 a day.

On Liffe, where the contract is against Liffe's 26,584. used only by potato farmers and merchants to hedge against price

As a guide to what a successful in existence since 1958 and so far this year has had daily average After starting in Lille in 1984 it trading of 328 contracts. In 1995, the Agricultural Futures Exchange in Amsterdam saw a total of 165,312 potato contracts traded,

> Analysts say there are two key reasons for the success of the Dutch contract. First, it uses only one type of potato, against seven

types at Liffe. More important, the big Dutch potato processors - as well as potato farmers and merchants - use the contract for hedging, providing liquidity for the con-

In the UK, where the processing sector of the potato market is currently growing at an estimated 5 per cent a year, the leading companies have so far shunned Liffe's potato contract. Tha current rock-bottom UK prices of 220 a tonne are also mitigating against large-scale interest in the contract

markets.

this year.

flows.

inflation-fuelling expansion

of the monetary base, it was

obliged to soak up capital

inflows by issuing domestic debt. As the burden of debt

became unmanageable, it

moved to slow capital flows

by, among other measures,

blocking access to futures

The context of last

month's change was quite

different. As interest rates

have fallen over the past two

vers so has the attractive

ness of Brazilian fixed-

the Brazilian Real has pro-

duced a growing current

account deficit that econo-

mists say could reach \$35hn

looking on the positive side,

and this kind of change is

always welcome," says Mr

at ING Barings in São Paulo.

Naturally the BM&F is

Meanwhile, the strength of

income investments.

Liffa may decide to reject a revamp, and instead step up mar-keting and educational efforts on behalf of the existing contract. It said the launch of the British Potato Council at the end of this month, in place of the Potato Marketing Board, may help alter the perception of the current contract.

"Deregulation of the inherently volatile nature of potato prices will hopefully make the potato industry ss the benefits of Liffe's contract." said Mr Clive Furness director of commodity products.

Australia

harvest

By Niidd Tait in Sydney

sees record

Australia is set to notch un

culture and Resource Eco-

nomics, the government-

owned agency, forecast yesterday. If correct, this would

represent an 18 per cent

Meanwhile, recent rain on

Australia's east coast should

allow winter crop plantings to top 18m bectares in 1997–98, with the wheat area

standing at about 11.1m

record, of 1983-84.

# Mining groups prefer M&A to exploration

By Kenneth Gooding, Wining Correspondent

The global mining industry spent a record \$14bn on mergers and acquisitions in the year to May 1997, according to an analysis by the Raw Materials Group, the Swedish consultancy.

RMG says mining groups bny other companies to avoid the costly, risky and ong exploration phase of a mining project. Total annual global expenditure on mining exploration amounts to only \$4bn.

At the same time, investors are putting a premium on growth in the mining industry, particularly for record crop production for North American gold 1996-97, at 39.2m tonnes, the Australian Burean of Agriproducers.

Consequently, although there has been a noticeable fall in the number of deals since the Bre-X acandal began to develop early this year, merger and acquisition increase on the previous activity can be expected to emain at a relatively high level in 1997.

In its Who owns Who in Mining 1997, published by market analyst Roskill, RMG analyses the ownership. affiliations and output of 7,000 mining and refining companies in 1995 and ranks the top 50 in terms of the value of their output.

Higher copper and nickel prices in 1995, compared

panies producing these metols moved up the table while, as the gold price fell, so did the ranking of gold producers. Barrick Gold of Canada

with 1994, meant that com-

for example, dropped six places to 15th.

In contrast, Asarco, the US copper producer, moved up from 13th to 8th position and Inco, the world's biggest nickel group, jumped four places into the top 10. Phelps Dodge, another US copper group, moved from 10th to

RMG points out that although - in terms of the value of minerals produced -Anglo American Corporation of South Africa remains the world's blegest minios group, its share of total world output fell from 8.51 to 7.78 per cent between 1994

and 1995. Rio Tinto (formerly RTZ-CRA) is gradually catching up with Anglo and, RMG notes. Broken Hill Proprietary. Auatralia's biggest corporation, will move closer to Rio Tinto when the 1996 table is compiled, after BHP's acquisition of Magma Copper of the US.

Who owns Who in Mining 1997, from Roskill Informotion Services, 2 Clopham Road, London SW9 OJA, UK.

### Western world mining: 1995 Top 10 (%)

troling company/state	Country	Approx sha of total val
D American	South Africa	7.78
Unto formerly RTZ)	UK	5,70
	Australia	3.43
e of Brazil (mainly CVRD)	Brazil	3,18
of Chille (Coclubio wind Enem)		2.90
COF	South Africa	1.92
pe Dodge	USA	1.72
CO	USA	1,64
mort Memorian Comme & Gold	1 ISA	200

# Volatile trading in coffee

MARKETS REPORT By Gary Mead

The rollercoaster ride in coffee futures continued yesterday, with the benchmark July contract on the London Intarnational Financial Futures Exchange soaring by \$170 a tonne at one stage. Dealing had calmed somewhat by the close, and the

July future closed up \$40 at Trading in arabica coffee futures on New York's Coffee. Sugar and Cocoa Exchange was equally volatile; in early dealing the July future rose to 268.50 cents a pound then retreated to 256.40 cents, up 2.45 cents on the day but considerably lower than last Friday's 20-year peak of 313 cents.

In metals, palladium was higher in London at yesterday afternoon's "fix", up \$18.20 at \$188.70. Base metals on the London Metal Exchange traded generally lower, with the price for three-month copper ending the day \$6 lower at \$2,479 a

Nickel, bowever, was boosted by overnight news of industrial action at Inco's Sudbury plant in Canada. Tha price for three-month nickel on the LME closed at

# eregulation delights BM&F

World derivatives exchanges

futures exchanges were pleasantly aurprised last month when the government edged open the door to forelgn investors, allowing them to hedge equity investments for the first time since

Officials at São Paulo's Commodities and Futures Exchange, the BM&F, see tha move as the first stage in a gradual opening to foreign espital that will allow the exchange to take a leading role in the integration of South America's financial and commodities markets.

They may be right. But the government's timing suggests its real concern is with the country's growing current account deficit, which reached 3.9 per cent of gross domestic product in April, and that it is happy to use the markets, whether it benefits them or not, to achieve its monetary policy objectives.

Last week's change applies to capital entering the country through a channel known as Annex IV, which allows investment in Brazilian equities free of a financial operations tax charged on fixed-income investments. It ends restrictions imposed in August 1995 on the grounds that investors were using Annex IV to construct "boxed" hedge

operations that amounted to

Mr Manoel Cintra, presi-

dent of the BM&F - which is

fixed-income instruments.

1996 trading volume (m)

igo Soard of Tra

futures exchange, trading a back in," he says. "We have daily average of 580,000 contracts in April - says the this and we want to talk mova will increase the exchange'a contract volume as much as 30 per cent. For- ease the entry of foreign eigners who have been hedg- investors. ing their Brazilian equity investments elsewhere will. be argues, return to the country.

"This will bring more liquidity and put us in a better position to compete with foreign exchanges," he says. "From the broker's point of view it opens new possibili- the core of the government's ties and allows him to reach motives new clients."

lower than it was, he argues.

as Brazil's interest rates

have fallen. "The govern-

no longer any monetary rea-

been talking to them about more about capital flows, about how the exchange can

r Ciptra insists the government'a decision was not related to concern over the current account and that the latest change is here to stay. But in talking about capital flows, he may have touched

The risk of investors' con- investors from using Annex structing boxed operations is IV funds in equity hedges in August 1995, when the rate of foreign capital flows was threatening to undermine its limited. ment has seen that there is monetary policies.

the world's fourth busiest son not to allow foreigners

Even if it does find itself used as a pawn in the government's wider strategy, the BM&F is confident greater openness to foreign funds is on the way. It already has an office in The government stopped New York and its officers pay frequent visits to foreign institutional investors, even

In order to prevent an Jonathan Wheatley

### though their access to the rains, there were still "some exchange remains extremely concerns about follow-up winter rainfall, with some seasonal indicators being less than favourable".

### hectares, only 2 per cent down on 1996-97. "On the basis of current planting intentions and assuming normal rainfall through to harvest, total

Mauro Schneider, economist Nevertheless, the timing of both changes shows they are wheat production in Australia in 1997-98 is forecast to be really concerned with capital almost 19.2m tonnes," ABARE suggested. This would be a significant

reduction from the record 23.6m tonnes of wheat likely to be produced in 1996-97, but still well ahead of the previous year's 16.5m ABARE conceded that despite the recent planting

# N.

### \$7,180 a tonne, up \$155. COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading) ALUMINIUM, 99.7 PURITY (S per tor

Cash

1553-54

3 mths

1577-78

High/low		1607/1575
AM Official	1560.5-61	1579.5-80.5
Kerb close		1577-78
Open Int.	265,450	
Total daily turnover	118,384	
ALUMINIUM AL	LOY (\$ per to	nne)
Close	1445-55	1473-74
Previous	1455-65	1480-85
High/low AM Official	4450.50	1480/1470
Kerb close	1450-52	1470-75 1475-80
Open Int.	5.078	1475-00
Total duly turnover	798	
IE LEAD (\$ per tons		
Close	810-1	622-3
Previous	011-13	623.5-4.0
High/low	• • • •	627/620
AM Official	609-9.5	621-1.5
Kerb close		626-7
Open int. Total dally turnover	35,218 7,295	
ME NICKEL (S per to		
Close		
Previous	7055-65 6915-25	7165-70 7025-30
High/law	4915-25	7250/7050
AM Official	6965-70	7075-85
Kerb close		7180-90
Open Int.	53,012	
Total daily turnover	20,653	
IE TEN (\$ per tonne)		
Close	5615-25	5670-75
Previous High/law	5550-60	5805-10 5710/5820
AM Official	5560-85	5835-40
Kerb close	0000 00	5660-70
Open Int.	16,493	
Total daily tumover	4,547	
ZINC, special bi	gh grade (\$ ;	er tonne)
Close	1299-300	1324-25
Previous High/low	1303-04	1327-27.5 1336/1320
AM Official	1299-99.5	1325-26
Kerb close	-200-USW	1327-28
Open int.	90,540	
Total daily turnover	39,462	
E COPPER, grade	A (S per tom	id)
Close	2535-38	2478-79
Plant day on	2539.5-41.5	2483-84
	2535	2502/2470
High/low	DEGE OC	
High/low AM Official	2535-36	2477-78
High/low AM Official Kerb close		2477-78 2478-79
High/low AM Official Kerb close	2535-36 138,503 53,286	
High/low AM Official Kerb close Open int.	138,503 53,266	2478-79

Spot: 1,6361 3 miles: 1,6339 0 miles: 1,6296 9 miles: 1,6267 117.10 +0.10 117.10 118.00 352 2.828 117.10 -0.05 117.60 116.16 7.474 33,117 224 2.256 113.85 -0.35 114.40 113.20 111.80 -0.45 - -9,733 98,891 PRECIOUS METALS LONDON BULLION MARKET (Prices supplied by N M Pothechild)

Gold(Tray az) 343.90-344.20 343.55 209.93 493.34 344.30-344.60 Previous close 343.80-344.30 Loco Ldn Mean Gold Landing Rates (Vs USS)

WALEADED GASOLINE p/tray az. 289.90 252.30 474.50 477.56 8 months 296.15 482,95 496,15 **Gold Coins** 

GRAINS AND OIL SEEDS Precious Metals continued ■ GOLD COMEX (100 Troy oz.; \$/troy oz.) WHEAT LIFFE (100 tonnes: E per tonne) -0.7 344.5 342.5 602 1,751 -0.8 347.1 345.0 6,928 63,722 -0.8 349.5 348.0 82 7,426 -0.8 352.3 350.2 2,990 25,997 88.35 +0.25 88.35 88.35 90.60 +0.50 90.60 90.00 90.60 +0.50 90.60 90.00 92.60 +0.50 92.50 92.50 94.60 +0.50 — 489 7,628 25 3,823 ■ WHEAT CBT (5,000but mire, cents/60th bushel)

PLATINUM NYMEX (50 Troy oz., \$/troy oz.) 401.7 +3.0 408.5 398.0 1,869 14,060 390.2 -4.5 397.0 390.0 101 4,773 101 4,773 5 1,276 2 22 1.977 20.131 E PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 181.65 +13.85 184.00 172.00 380 899 169.95 +5.35 171.00 166.00 2,550 7,078 Sep Kov Jan Mar May Total 490.0 +2.4 488.0 488.0

**ENERGY** ■ CRUDE OIL NYMEX (1,000 barrels, \$/barrel)

HE HEATING OIL MYNEX (42,000 US gails,; c/US gails,) 186 8.576 369 13,337 Sett Day's price change High Low Open Vol. just

170.00 -4.00 173.50 169.75 8,275 18,747 171.50 -3,75 175.25 171.50 5,723 13,744 173.50 -3,50 176.00 173.50 1,472 8,504 5,723 13,744 1,472 8,504 701 5,015 173.50 -3.50 176.00 173.50 1,472 8,504 175.75 -3.25 178.00 175.75 701 5,015 178.00 -3.00 180.00 178.00 778 4,821 179.50 -2.75 181.50 179.75 300 2,046 10,260 65,426 MATURAL GAS PIMEX (10,000 mmBhl; \$/mmBhl) - 2.135 2.080 28,137 39,855 2125 -0.094 2140 2.090 0,771 22,590 2125 -0.011 2140 2.090 3,048 18,356 2135 -0.012 2155 2.105 3,395 19,756 2.275 -0.004 2.285 2.245 1,208 8,293 2.400 -0.004 2.410 2.380 1,381 12,125

Price change mg-51.30 -1.69 63.05 81.15 8.504 43.511 50.35 -1.62 81.90 80.25 2.056 12.839 50.25 -1.42 81.90 59.60 851 5.202 58.20 -1.12 59.10 58.00 53 3.100 57.30 -1.32 58.00 57.30 79 1.737 57.60 -0.62 55.00 57.80 54 3.954 12.236 77,861

1,159 174

3,635 1,664 818 362.00 +1.25 365.00 360.50 10,121 46,841 368.00 +0.25 371,50 366.50 2,048 15,611 378.50 +0.25 383.00 378.00 1,771 16,766 381.50 +0.50 384.00 380.00 107 2,070 301.50 +0.50 384.00 380.00 107 2,070 372.00 - 30 81 386.25 +1.25 366.75 365.89 119 570 MAZZE CBT (5,000 bu min; cents/56b bushe) 277.50 +3.50 278.25 274.90 26.551114.077 262.00 +2.25 262.50 259.00 3,279 32,059 258.75 +1.00 260.75 257.00 14,542106,959 265.75 +1.75 266.50 263.25 712 13.217 269.50 +1.75 269.50 267.50 71 1,408 273.00 +1.79 273.00 270.00 71 3,397 E BARLEY LIFFE (100 torkies; £ per torkie) 86.25 -0.25 88.25 86.25 8 29 88.25 -0.25 88.00 88.00 13 1,119 80.25 -0.25 00.25 80.00 16 152 92.25 -0.25 82.00 92.00 3 18

94.25 -0.25 94.00 94.00 1.316 SCYABEANS CST (5,000bs stic; cests/60b bashet) 860.00 -15.25 875.00 858.00 41,069 87,533 813.00 -15.00 829.00 812.00 8,695 25,548 728.75 -3.75 738.00 728.50 1,444 9,107 - 696.75 688.50 14.842 665.00 +1.00 669.50 692.00 291 6,685 667.79 +0.75 703.00 698.50 301 1,461 66,701 182,717 SOYABEAN OIL CET (80,000lbs; cents/lb) 28.5 -0.28 24.22 23.89 9.052 46,657 24.00 -0.25 24.40 24.02 15.73 15.978 24.25 -0.27 24.56 24.20 24.2 9.579 24.25 -0.21 24.57 24.25 184 9.251 24.57 -0.03 24.80 24.55 18 1.381 12.254 24.67 -0.03 24.80 24.55 12.52 101,602

12,522 101,502 ME SOYABEAN MEAL CBT (100 tons; \$/ton) 283.1 -4.1 287.0 282.3 12,750 45,826 264.7 -3.3 268.5 284.2 4,494 17.951 245.0 -2.1 247.5 244.5 1,446 11,478 230.0 -2.5 233.5 230.0 533 10,893 222.8 -22 226.0 222.5 2,465 20,659 220.0 -1.5 221.5 220.0 23 2,382 21,720 112,181 ■ POTATOES LIFFE (20 tonnes; £ per tonne) 167 . 838 E FREIGHT (BIFFEX) Jun Jul Jun Oct Jun Total +10 1170 1180 22 - 1120 1100 186 +1 1122 1110 202 413 1,246 25 589 57

Close Pres 1260 121 餌 **PUTURES DATA** All futures data supplied by CMS.

- 1120 +1 1122 +5 1310

European free market, from Metal Bulletin, \$ per ib in warehouse, unless otherwise stand (lest week's in brackets, where charged). Antimony 89.55%, \$ per tonne, 2,125-2,200 (2,150-2,250). Blannatte min. 99.95%, certis a pound, 55.00-60.00. Cobate Ma free market, min. 99.95%, certis a pound, 55.00-60.00. Cobate Ma free market, min. 99.96%, \$ per 76 ib fask, 159-168. Molybdenante drummed molybcilic oxide, 4,60-4,70. Selenium: min. 99.5%, 2,20-2,70 (2,30-2,80). Tungsten one: standard min. 55%, \$ per forme unit (10kg) WO, cit, 45-55. Vanadium: min. 99.5%, CIP, 3,75-3,83. Uranitum: Nuesco unrestricted exchange value, 10,55 (11,25).

SOFTS ■ COCOA LIFFE #10 tonnes: £/tonnel 1041 1030 1039 1051 1032 2232 16,635 322 29,057 926 31,755 152 15,220 20 5,141 104B DOA CSCE (10 tonnes; \$/tonnes)

1458 1441 4 570 26 820 1493 1521 1546 1567 1477 1,259 16,538 1512 218 18,516 1545 1566 ■ COCOA (ICCO) (SDR's/tonne) Prev. day 1151.71 COFFEE LIFFE (5 tonnes; \$/torne) +50 2289 2026 3,074 19,873 +55 2305 2040 4,922 20,986 +50 2255 2060 1,783 8,690 +45 2238 2736 323 2,830 +45 2210 2080 10 343 +45 - 250 2190 2200 2180 2160 COFFEE 'C' CSCE (37,500lbs; cents/lbs) 264.20 +10.25 268.50 249.00 7,823 11,681 233.05 +8.50 236.00 222.00 3,772 8,125 197.05 +8.10 187.95 187.50 660 4,807 178.00 +8.05 180.95 172.50 334 2,165 172.05 +8.05 171.00 167.00 23 449 164.00 +0.95 — 11 142

E COFFEE (ICO) (US cents/pound) Pres. day 203.61 197.83 WHITE SUGAR LIFFE (50 tonnes; \$/tonne) 330.8 +3.0 330.7 327.5 2.542 15,036 321.7 +3.2 321.3 318.8 783 7,172 318.7 +3.4 318.0 318.0 510 2277 318.0 +3.2 317.1 315.6 419 1,927 315.5 +2.7 315.0 313.5 72 722 313.8 +3.1 314.0 314.0 8 557 4.446 22.93 ■ SUGAR "11" CSCE (112,000fbs; cents/fbs) 11.48 +0.14 11.54 11.3814.647 74.547 11.29 +0.10 11.30 11.20 8,881 52,513 11.15 +0.06 11.07 11.09 2,874 28,273 11.06 +0.06 11.00 11.81 345 6,896 10.96 +0.06 10.98 10.93 182 3,108 10.84 +0.06 10.89 10.82 57

73.42 +0.06 73.65 72.9012.875 33.838 74.95 +0.10 75.00 74.55 745 4.773 75.76 +0.03 75.90 75.38 4.549 27,142 76.95 +0.05 76.95 78.65 269 4.196 77.60 +0.05 77.80 77.55 58 410 IN ORANGE JUICE NYCE (15,000lbs; cents/lbs) 77.50 +0.45 79.50 76.60 2,288 16,712 79.55 +0.45 31.25 79.00 1,017 7,858 82.10 -0.10 83.50 81.70 195 3.755 84.90 +0.10 85.00 84.75 94 1.670 87.40 +0.10 87.90 87.90 15 1,199 90.05 +0.05 81.00 97.00 10

**VOLUME DATA** Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, NYCE, CME, CSCE and IPE Grude Oil are one day in arrears. Volume & Open Interest lotais are for all traded months. INDICES Reuters (Base: 18/9/31 = 100)

Jun 3 Jun 2 month ago yeer ago 2007.0 2009.4 1989.5 2112.3 ■ CRB Futures (Base: 1967 = 100) Jun 2 May 30 month ago yeer ago 248.64 250.96 GSCI Spot (Base: 1970 = 100) Jun 2 195.51 May 30 month ago year ag 197.37 194.76 203.52 LIKE WAS 734,800 61,560 132,500 117,825 MEAT AND LIVESTOCK

Sett Day's 67.575 -0.450 68.000 67.575 1,828 20,802 70.225 -0.400 70.550 70.000 958 10,853 71,025 -0.250 71,200 70,950 590 72,800 -0.275 72,950 72,700 66 80.775-0.100 81.100 80.275 3,470 8,434 82.150 +0.350 82.300 81.225 4,535 80.025 -0.175 80.400 79.350 2,867

Strike price \$ tonne - Calls -- - Puts --

COPPER (Grade A) LME 2400 . COFFEE LIFFE ■ COCOA LIFFE

\$18,55-8,67 -0.315

\$19.57-8.59 -0.58 \$19.00-9.02 -0.52 \$219-221 \$81-82 \$181-184 \$187-189 10.35-10.45 +0.05 on (0171) 359 8792

\$188.50 Copper Lead (US prod.) 123.0c 45.00a Tin (Kusia Lumpur) Tin (New York) 14.00r 262.5 Cattle (live weight) Sheep (live weight) Pigs (live weight)† 91,20p 126,45p 101,93p

Ung Rubber (Jul)♥ Rubber (Aug)

Rubber (KL RSS No1) 645.0y 545.0w Coconut Oil (Philis Palm Oil (Meley.)§ Palm Oil (Mel Copra (Phil)§ \$412.5 Soyabeans (US) Cetter Outlook'A' index Wooltops (B4s Super) E per torme unless others

III LIVE CATTLE CME (40,000bs; cents/lbs

72.825 +0.025 72.950 71.975 832 69.950 +0.025 70.000 69.200 204 68.750 -0.050 68.900 68.200 146 PORK BELLIES CME #40.000lbsc cents/lbs) 89.250 +0.750 90.000 68.250 542 79.550 +0.175 79.675 78.700

**LONDON TRADED OPTIONS** 

2100 .....

LONDON SPOT MARKETS ■ CRUDE OIL FOS (per barret)

NATURAL GAS IF 10.500 +0.045 Gold (per troy oz)‡ Silver (per troy oz)‡ Platinum (per troy oz.) Palladium (per troy oz.) \$343.15 +16.50

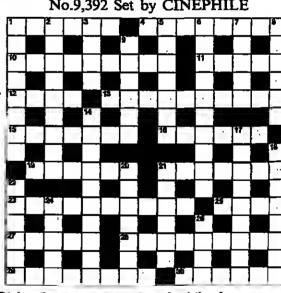
+2.0 Lon. day sugar (raw) Lon. day sugar (wre) Barloy (Eng. feed) Maize (US No3 Yellow) Wheat (US Dark North)

-1.0

**JOTTER PAD** 

# **CROSSWORD**

No.9,392 Set by CINEPHILE



6 Source of the video in art.

ACROSS CA initially to lend fresh power to light (6) Hours and changes in CA 10 Producer of resin to cancel

11 Mature quietly - there's nothing French about it (5) 12 Sec 3 The saviour of CA (2,8) 15 Masons, for instance, have a little way to mature if

Mark time on senility (6) Crazy guy before 1 across Mythical creature's ordered about: that's rich (7) 23 He balances incorrectly as the cheque isn't crossed

non-western (2-5)

25 Tremendous backing for a stone (4) 27 The big question is an edi tion (5) 28 Plucky way with italian food to includa some ice

29 Attachment to statuly bome or Ulster loyalism? 30 CA's hat (6)

 Neighbour of CA destroyed bloom among people of intelligence (8) 2 Month's French dramatist almost come up in CA (9) 3, 12 English and German currency, a significant occurrence (3)

Centrifugally bound? (7)

Solotico 9,391 POURBOARE OUTDO Y N O T Y N W U LANY AGETYLENS O B T F W X A MEAPOLITAN SULL S M A S F ECHELON HARRIES 

Responsibility I had taken

8 Varied alternative to tum-ble? (6)

9 Sub-guttural skin bolds

water - bow does one drink it? (6) 14 Gig's broken out in Baltic

18 Black spot or mole a man

21 Busybody embracing little

girl in CA (5)
22 Neighbour of CA keeps me

company when entertain-

26 Mediterranean island

slightly altered without acknowledgment in CA

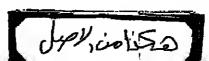
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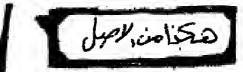
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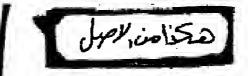
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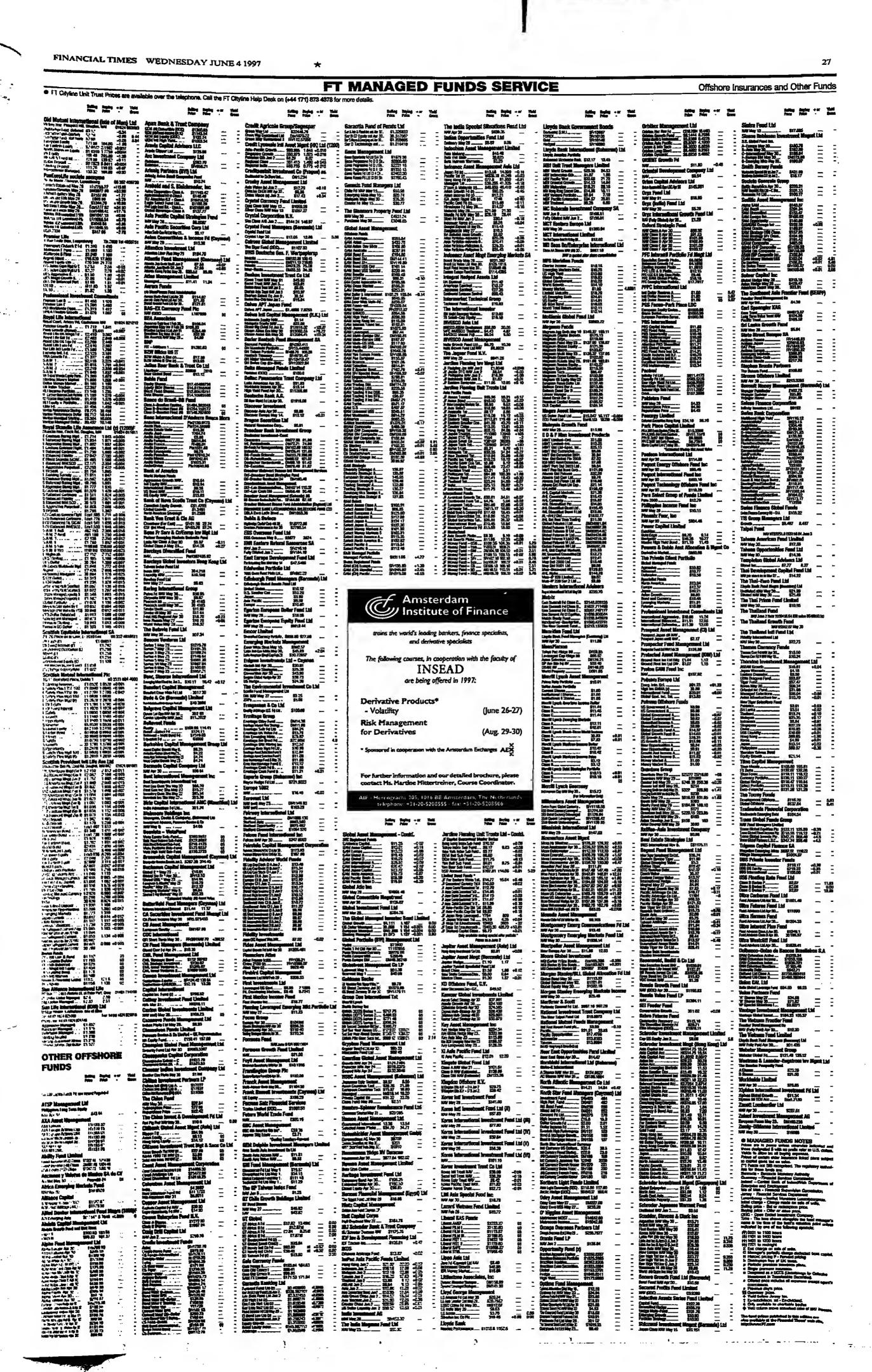
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For further information, please contact:

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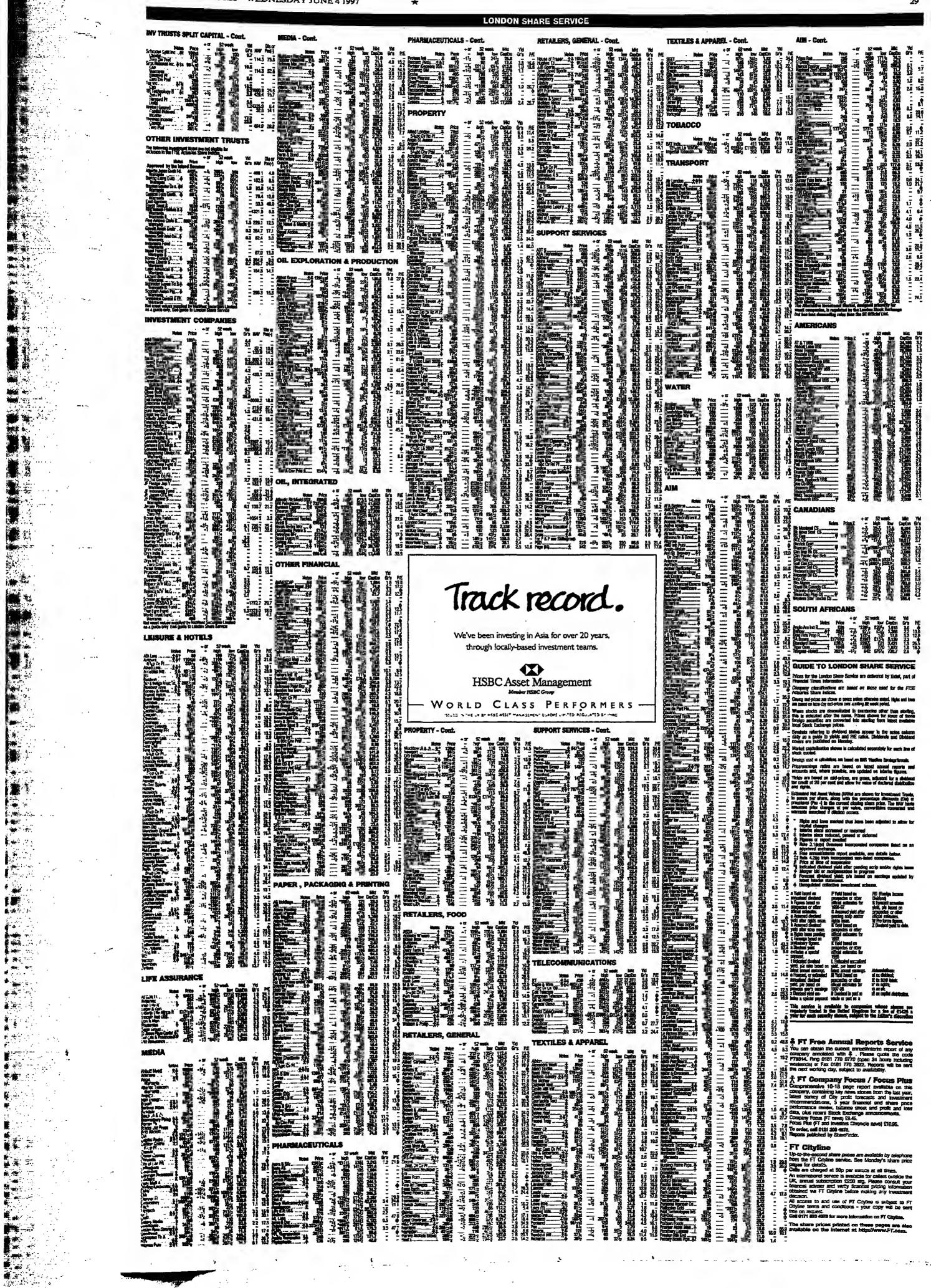
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# Wall Street triggers good rally in equities

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

There were further signs of increasing unease across London's equity market as shares fell again for the fifth consecutive session yesterday, although they closed well above the day's worst levels as global bond markets rallied strongly.

"It's Gordon Brown, wa're tle away at the market's confi-dence over the last few sessions. said one observer.

He pointed to the persistent concern about tax increases.

There were plenty of other worries. Thursday's first meeting of government's newly appointed monetary policy committee was being viewed with concern, with some traders taking the view that a 25 basis points increase in UK interest rates might follow.

The outcome of the UK monetary meeting should be known before news of the US nongoing down," remarked one mar-ket wit, referring to the growing published. "Friday could well be nervousness about the July 2 a hig day in the market, if the Budget, which has begun to whit- Bank moves rates higher and we

It was also noted that the Budget coincides with the next meeting of the US Federal Reserve's Open Market Committee. The combination of a rise in US rates and a hard-hitting UK Budget is viewed with alarm.

5.0 at 4,557.8, bringing the decline over the past five sessions to 123.8 points or 2.6 per cent.

Of increasing concern to investors was the fact that the selling pressure, which has been concentrated in the leaders recently, broadened yesterday to encompass the second line stocks in the FTSE 250 and the small shares in the SmallCap index.

The latter dropped 10.4 to banking division was not for sale. 2,281.0, while the former gave up 19.9 to 4,562.0.

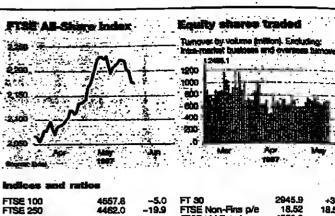
were said to have been caused by a 40-points plus gain not long another big sell-off in the finan- after London closed. At the end of a day of increased cials, themselves weakened by a activity, the FTSE 100 index lost lack of expected follow-through buying interest in the Halifax, start. Marketmakers ahifted the newly-converted bank. Halifax shares were marked down to 714p before embarking on a firm, announced it had comstrong rally.

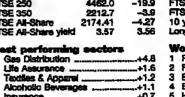
> the sector, Barclays were heavily driven down before spiralling up late in the session after the bank

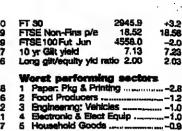
The overall market also rallied well as Wall Street's Dow Jones But London finished well above Industrial Average saw an early earlier depressed levels, which 30-point decline transformed into

Leading insurance stocks also raced higher after a difficult prices higher after City Index, the financial and sports betting menced "grey market" dealings Apart from the Halifax, there in Norwich Union shares ahead were plenty of talking points in of the June 16 float. City Index's closing quotation yesterday was

300p-310p Overall market turnover insisted its BZW investment 6pm was 964.8m shares.







# **Broker** boost for BG

Brisk buying in BG in the second half of the session drova the shares sharply ahead and helped boost turnover in the stock.

By the close, the shares were 121/2 better at 2171/2p. the best performer in tha FTSE 100. Volume of 21m made it one of the day's most actively traded shares. Strong demand prompted a wave of rumours in the

early part of the afternoon. One story suggested the long-awaited Monopolies and Merger Commission (MMC) report into the revenues of TransCo, BG's gas pipeline business had leaked into the market and was in favour of BG's position.

Ofgas, the industry regulator, last year tried to impose a cut of up to 28 per cent in the revenues of TransCo, in order to pass the savings on to consumers. The price cut was blocked by British Gas. The report was delivered to both Ofgas and BG, (demerged from British Gas

earlier this year) last Friday. However, it emerged towards the close that a bullish note from Deutsche Morgan Grenfell due to be published today was the most likely reason for the advance select group of large institu-

FINANCIAL TIMES

a squeeze at the close. DMG is said to have set a near term share price target for BG of 300p, well ahead of the most optimistic current predictions of around 250p a

The three listed partners in Camelot, the national lottery organiser, suffered a collection of individual problems. They are already under pressure from the government over bonus payments to directors when ticket sales and profits

Racal, which has a 22 per cent stake in Camelot, edged up 1½ to 235p late in the day after it said it had called in Goldman Sachs to advise on "maximising shareholder value". The measures might include joint ventures, strategic alliances, equity partnerships, flotations and divestments. Racal said. It also reported a big profits fall and said it had launched a strategic review and would shed 1,000 jobs. Its pre-tax profits were down from £70.4m to £40.4m after £19.3m of exceptional charges.

Mr Brian Newman at Henderson Crostbwaite is a buyer of Racal. He believes the sum of the parts valuation makes the shares worth 300p a share. He said: "The share price will be dominated by corporate activity over the next few months." Racal is meeting with

some of its biggest shareholders over the next few in the stock. Dealers said a days to work out valuations. De La Rne fell 63%0 to tions had become aware of 421%p in heavy trading of the circular, prompting the 4.2m shares after the bank late buying spres and note printer reported pre-tax profits down from £148m to £106m. Camelot contributed £15.9m of profits, down from £17.4m the year before.

Cadbury Schweppes was the second biggest faller in the Footsie, down nearly 3 per cent or 15 to 526%p in heavy trading of 6.6m shares, on fears for its US drinks sales after a US press report that Coca Cola was trying to squeeze Cadbury's Dr Pepper/Seven Up brands out of McDonald's restau-

Coke was reported to have offered free supplies of soft drinks in return for an exclusive supply agreement. If successful, the move could redoce Cadbury's US sales and profits that have already been affected by the strength of sterling. The US represented 40 per cent of the the year to December, and rumours," Mr Buxton said. Cadbury said in March that

Dr Pepper volumes had risen S per cent last year.

Market specialists cootinned to keep a close eye on the banking sector. Profittaking left Halifax trailing 10 to 724'Ap, which is below Monday's auction price of

BZW yesterday issued 10m call covered call warrants on Halifax, having made a similar move in Alliance & Leicester earlier this year. Shares in A & L closed 5 off

Barclays was one of the few specs of blue in an otherwise dull sector. The shares bounced 26% to £11.61% on general bargain hunting. Chairman Mr Andrew

Buxton said on Tuesday his bank had no intention of selling off BZW, its investment banking arm. "There is group's total drinks sales in no substance in these Investors in electronics

	Jun 3	Jun 2	May 30	May 29	May 28	Yr ago	High	Low
FT 30	2945.9	2942.7	2971.5	2997.8	3000.5	2791.8	3018.6	2668.8
Ord, div. yield	8.72	3.72	3.68	3.65	3.66	4.00	4.22	3.62
P/E ratio net	17.83	17,85	18.03	18.18	18.14	18.16	18.33	15.80
P/E ratio nil	17,65	17.67	17.84	17,99	17.96	15.94	18.14	15.71
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Equity turnover (Cm)†	-	NA	NA	NA	NA	1708
Equity bengainst	-	NA	NA	NA	NA	37,80
Shares traded (milit		NA	NA	NA	NA	580.

Filmos and follo"	7	52 Week highs	and lows	LIFFE Equity opt	ions
Total Films	486	Total Highs	57	Total contracts	61,163
Total Folls	1,011	Total Lows	93	Culls	38,136
Serme	1,578	Total Lows	••	Calls Puts	23,027
Jun S 'Date bes	ed on Eq	uity sharen flated o	n the Lon	don Share Service.	

group Amstrad were rubbing their hands in glee as they focused on the company's

reconstruction proposals announced yesterday. Shares in the company rose 131/4 to 277p, after trade of 4.1m. The company said shareholders will receive 163p nominal of loan notes exchangeable for cash for each Amstrad share. They will also receive one Viglen Technology share, a den. The agreement is sub pro rata share of Amstrad's

> Commission. Topps Tiles, the builders' merchants that was placed at 100p on Monday, rose 2 to 113%p yesterday. About 300 of its staff are to receive shares worth about 6 or 7

com shares closed 4 off at Kalamazoo advanced 131/4 to 92%p after the computer group confirmed rumours that it was in takeover talks. However, it pointed out that the Kalamazoo Trust, which owns 40 per cent of the company, may not be able to accept any offer. The board was still investigating ways

of modernising the trust. Among retailers, Dixons was the third blevest riser in the Footsie as it advanced 131/4 to 481p in volume of 4.6m, continuing to recover from the 2 per cent fall It took on Friday following concerns that the government would abolish recommended retail prices.

ter of entitlement, to their

share of any proceeds from

the litigation Amstrad is

involved in against Seagate

Technology of the US. Beta-

Sporting leisure stocks, still smarting from the profits warning last week by Nike of the US, extended the falls seen on Monday. Blacks Leisure was down 471/2 to 471p while John David Sports was down 21 to 250p after its profits warning on Monday. JJB Sports was down 191/4 to 473p.

P&O was up 8 to 647p in heavy trading of 3.7m helped by a reiteration by NatWest Securities of its "add" stance in a note yesterday following results from P & O Nedlloyd Container Line, the joint

FTSE Actuaries Share Indices

venture company created by the merger of the two par ties' containers busines

The broker cited cost cutting ahead of schedule and the rapid strategic development of the company. Sen timent in the stock was also helped by the news on Mon day that the French authori ties had given the go-ahead to its planned cross-Channe link-up with Stena of Sweject to a report from the Monopolies and Mergers sharebolding in Betacom and a right, by way of a let-

per cent of their salary.

**FUTURES AND OPTIONS** 

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	F.P.	18,185	776		Hallfax	7242		#14.B4	2,1	2.5	21,5
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Acriculate (5)	1754.12	+0.9	1739.12	2688.29	2.97	19.64	2877.22	1739.12
Morto Assertos (11)	1474.95	-24	1510.69	2126.45	0.98	60.74	2126.45	1335.8

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22 Building Mattis & Merchs(St)
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24 Ofversited Industrials(16)
25 Electronic & Blect Equip(St) 26 Engineering(69) 27 Engineering, Vehicles(13) 26 Paper, Poleg & Printing(27) 29 Taobles & Apparel(14) -0.4 4459.67 4456.42 4516.61 3629.00 3.44 1.81 18.00 76.56 1234.05 1.1 32309.24 3225.73 3253.97 2781.46 4.08 1.88 16.30 76.56 1234.05 1.1 32309.24 3225.73 3253.97 2781.46 4.08 1.88 16.30 76.56 1234.05 1.1 32309.24 3225.73 3253.97 2781.46 4.08 1.85 17.92 59.71 1363.62 17.92 2898.29 2915.68 2934.82 2897.91 3.61 2.32 14.94 57.04 1181.54 17.0 3217.27 2223.89 2209.81 2082.18 2.73 1.65 27.77 32.09 1385.58 1.08 1732.81 7134.02 7253.16 5018.25 2.60 1.71 28.00 104.77 2489.65 1.08 4478.72 4516.33 4519.00 4417.58 8.10 1.87 10.95 159.78 1185.27 30 CONSUMER GOODS(84) 32 Alcoholic Beverages(7) 33 Food Producers(25) 38 Tobacco(Z) 40 SERVICES(271)
41 Distributors(30)
42 Leisure & Hotels(31)
43 Media(44)
44 Retzlera, Food(15)
45 Retzlera, Geograf(53)
47 Broweries, Pube & Re
48 Support Services(54)
47 Browner(54) -0.1 2650.56 2670.23 2691.43 2542.07 2.96 -0.9 2703.06 2713.52 2727.20 2962.84 3.43 +0.1 3411.68 3390.90 3432.26 3196.30 2.68 1.79 1.92 2.21 2.07 26.12 61.57 1891.11 28.10 56.41 1588.96 14.23 51.26 1373.28 +0.1 4278.52 4313.46 4350.35 4212.50 2.92 -0.5 2069.33 2065.82 2095.01 2057.09 3.97 -0.4 2057.34 2077.12 2105.82 2068.23 3.35 -0.1 3234.20 3265.00 3302.73 3171.06 3.45 -0.7 3064.84 3072.54 3063.22 2442.07 1.69 +0.8 2706.70 2825.86 2831.43 2401.39 3.50 17.93 35.02 1217.42 16.55 51.62 1814.12 +0.3 2763.06 2612.54 2824.36 2419.88 6.00 1.50 18.70 83.50 1221.79 -0.8 3025.94 3128.99 3137.80 2617.47 5.94 2.01 10.47 69.49 1682.87 +4.8 1820.18 1808.79 1818.50 1283.29 8.99 \$ \$ \$8.13 1068.60 -0.1 2251.15 2261.15 2276.15 2062.60 3.91 1.71 18.73 9.54 1065.66 +0.5 2622.84 2631.33 2625.63 2256.21 5.97 2.25 9.32 0.00 1524.12 60 UTILITIES(31) 64 Gas Distribution(2) 68 Water(12) 59 NON-FINANCIALS(874) -0.2 2202.92 2217.27 2235.22 2008.49 3.67 1.84 18.52 37.63 1743.67 2198.57 -0.2 4212.81 4316.03 4370.84 2910.04 3.43 2.38 15.33 88.97 1897.86 -0.6 6356.27 6552.72 6840.00 3976.68 3.16 2.65 14.63 129.00 2163.62 +0.7 1692.38 1711.15 1736.11 1609.40 5.08 2.53 9,73 54.89 1362.32 70 FINANCIALS(108) 71 Benks, Retail(8) 73 Insurance(18) 74 Life Assurance(7) 77 Other Financial(29) 79 Property(44) -0.1 3401.22 3407.97 3417.61 3203.79 2.19 1.14 50.39 35.61 1217.05 2174.41 -0.2 2178.68 2200.91 2220.52 1887.09 3.57 1.83 18.10 38.60 1821.23 89 FTSE All-Share(907) -0.2 2177.00 2199.83 2219.88 -0.2 1281.98 1281.98 1284.78 1274.70 3.07 0.78 51.47 19.15 1381.95 -0.2 1282.53 1292.83 1298.05 1289.83 3.98 0.77 48.01 18.61 1394.14 FTSE AIM - 1.00 0.95 80.00+ 0.79 980.08 Hourly movements 9.00 11.00 12.00 13.00 14.00 15.00 16.10 High/day Low/da

4564.0 4563.4 4560.8 4562.5 4528.2 4534.1 4532.9 4538.8 4551.2 4565.6 4524.2 4473.0 4467.4 4465.8 4468.3 4462.2 4460.6 4459.9 4460.1 4460.6 4473.6 4459.1 2216.2 2215.4 2210.3 2211.0 2200.4 2203.3 2202.8 2205.1 2210.0 2216.8 2199.6 2269.85 2268.67 2267.66 2265.79 2265.53 2263.42 2262.97 2262.34 2261.11 2269.86 2261.00 2293.65 2283.67 2287.96 2286.78 2285.53 2283.42 2282.97 2283.11 2289.88 2281.00 2178.21 2177.44 2172.71 2173.31 2163.49 2188.05 2185.53 2167.58 2171.96 2178.78 2162.79 Further Information is available on http://www.fise.com or contact FTSE internation O FTSE International Limited 1997. All Rights reserved. "FT-SE" and "Footsle" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence.

† Sector P/E ratios greater than 80 and not covers greater than 30 are not shown.

‡ Values are nocestive. Change of names RT7 Corp name Rt0 Timp (FTSE 100 6)



Highs & Lows shown on a 52 week basis  **  WORLD	STOCK MARKETS
Rockwell leads the world in integrated data/ax/voice modem products.	
### Mining   1 hb   947 0   956 8   967 1   942   257   257 1   10 hb   11 hb   11 hb   12 hb   11 hb   11 hb   12 hb   11 hb   12 hb   11 hb   11 hb   12 hb   11 hb   12 hb   11 hb   11 hb   12 hb   12 hb   11 hb   12 hb	Carro   Carr
Promote   1742 40 1773 58 1771 15 188628 1855   12518 27   12518	8 P Ind. Div. yield: 1.57 1.58 1.88 1.88 1.89 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.0
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FINANCIAL TIMES WEDNESDAY JUNE 4 1997 \* 33 d per class lane 3 NYSE PRICES NASDAQ NATIONAL MARKET 4 per close June 3 77 Sta. The E 160s Might Law Last Chang Stack Oper E 1802 Helpy (total Camal M. Ers. Dollar Sa x 0.20 31 1913 343 337 34 -12 18 50 13 124 124 RegFinCp 1.00 14 804 51<sup>1</sup>1 80<sup>3</sup>4 51 +2 Dough Him 0.72 17 44 18-3 1314 18-3 273 14 14 14 14 +4 33 757 US1 4 494 51 4 4 1 Labone 2 0.72 80 139 18 164 164 4 Reption 14 760 174 164 165 4 1 Labor from 10 01 124 127 134 +4 Reption 35452 241, 231, 231, -15, 14 760 174 164 165 -4 Ladd Form 18 91 134 127 134 +4 23 20 234 234 234 Oney GD 0.241570 296 37 4 37 37 1 +1 728 55 44 55 +78 Lancasier 0.72 16 667 45<sup>1</sup>2 45<sup>1</sup>6 45<sup>1</sup>6 4 Lanca 2 0.96 22 291 19<sup>1</sup>6 18 19<sup>1</sup>7 4<sup>1</sup>6 Lancaptics 333 6<sup>1</sup>7 6<sup>1</sup>7 6<sup>1</sup>7 6<sup>1</sup>7 Drug Empo 48 314 434 438 438 -14 Reuters 1.21 21 1531 665 657 6672 Deniron x 0.58 15 538 28 27 8 29 +18 RoadsExpraiD20 14 1255 1674 175 1779 Dynamia 31 20 3812 3812 3812 41 Langetics REACTOR . Lattice 9 - E -18 7737 163; 17<sup>1</sup>8 18<sup>3</sup>8 +1<sup>3</sup>4 Lamesca Pr 0.52 14 30 u25 5 25 14 25 14 14 14 Lachens 55 259 41 31 41 41 Rotech/Med 48 z0 12<sup>1</sup>ed12<sup>1</sup>e 12<sup>1</sup>e 7 594 6<sup>2</sup>6 6<sup>1</sup>8 6<sup>2</sup>8 Lactions 55 259 4<sup>1</sup>6 3<sup>1</sup>2 4<sup>1</sup>8 +4<sup>1</sup>8 Physiciont 48 20 12<sup>1</sup>2et12<sup>1</sup>6 12<sup>1</sup>2 80 14<sup>1</sup>2 14<sup>1</sup>4 14<sup>1</sup>8 -<sup>1</sup>8 Lib Tech 0.19 22 58 28<sup>1</sup>4 27<sup>1</sup>4 28<sup>1</sup>4 +<sup>1</sup>4 PPM Inc. 0.52 19 997 or 19<sup>1</sup>4 16<sup>2</sup>8 19 +<sup>1</sup>6 17 584 6<sup>3</sup>8 6<sup>1</sup>8 6<sup>2</sup>8 Ryan Feety 12 6414 109<sup>1</sup>2 9<sup>1</sup>8 9<sup>3</sup>8 +<sup>1</sup>8 14 3415 23<sup>2</sup>2 22<sup>7</sup>2 23<sup>1</sup>2 - <sup>3</sup>2 18 20 124 24 24 + <sup>3</sup>3 2704 8<sup>2</sup>2 6<sup>2</sup>3 6<sup>2</sup>4 - <sup>3</sup>4 LINESTESIK 3212445 334 304 307 -14 Saleco 128 14 1835 43<sup>1</sup>2 42<sup>3</sup>4 43<sup>1</sup>4 +<sup>1</sup>2 Sandarato 0.20 54 60 1514 1412 1514 +3n 14 20 512 512 512 750 9<sup>3</sup>2 6 62 −.43 2 411 1品 市長 1品 上 Ericeo 0.28 3818735 361 3812 3578 +14 Saltreis 8 7 20 7 7 7 7 Saltreis x 1.12 10 24 445 4378 4456 6 2084 7<sup>1</sup>4 6<sup>1</sup>5 6<sup>1</sup>5 12 38 2870 125 12 12 12 12 14 15 185 12 14 11 14 12 14 14 3311718 21 14 20 16 20 16 16 Expendit 1x 0.08 28 438 25<sup>1</sup>2 28<sup>1</sup>2 29<sup>1</sup>4 + <sup>1</sup>2 Mercan Cp Excerptor 15 558 8<sup>1</sup>2 8<sup>1</sup>3 8<sup>2</sup>3 - <sup>2</sup>3 Merine Dr MarshSmkA 0.44 19 23 124118<sup>3</sup>4 124 +3<sup>1</sup>2 4 77 13<sup>3</sup>4 13<sup>1</sup>8 13<sup>1</sup>4 . O.St. 24 588 521, 50% 50% | Surtled | Strike | 345 5.39 .54 54 Shorewood 18 894 x217, 211, 211, Shorewood 18 894 x217, 211, 211, Showbiz P 29 2863 245, 23 247, SignAl x 0.25 10 3277 3014 2912 297, 40 1341 5% 5% 5% 5% 18 260 39% 39 39 1.19 23 1848 784 764 7812 +14 Strylor 0.10 30 2001 34<sup>1</sup>2 34 34<sup>1</sup>4 Selfenn 0.20 19 140 15<sup>3</sup>4 15<sup>3</sup>8 15<sup>5</sup>8 | Notemail: 0.06 27 495 3514 343 343 444 | Selfitano |
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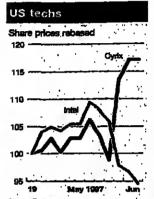
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# Dow shakes Revaluation deal sends Frankfurt higher off losses in techs

Blue chips again diverged from technology groups on Wall Street at mids profits warnings hit the tech Martinson in New York.

The Dow Jones Industrial Average roee 10.25 to 1,394.54, after starting the day on a negative note. The more broadly-based S & P 500 also rose, by 3.27 to 849.63. Some of the improvement was a reflection of gains in the bond market. The benchmark 30-year bond rose 1/4 to 96%, yielding 6.875 per cent.



However, Mr Joseph Battipaglia, chief investment strategist at Gruntal & Co, said that the "great resilience" of the Dow was partly related to short-term decisions by money managers ahead of second-quarter results. "The momentum is with the market," he said. He believed that the larger company indices would tread water in the mediumterm, however, and that smaller companies and technology companies would

catch up. However, this catch-up of the technology-driven Nasdaq composite index was delayed yesterday after the market was disturbed by profits warnings from two

cent to \$39% after warning that sales would fall in the fourth quarter, while Cabletron, the networking company, said second-quarter aarnings would be below analysts' estimates. It fell \$15 or almost 33 per cent to

The warnings excited fears about weaker demand first raised by Intel last Friday. The world's largest silicoo chip manufacturer fell another 2 per cent or \$35 to \$1467. Other technology groups to be hit included Cisco and Dell.

The misfortunes of some were the opportunities of others, however. Cyrix continued its strong rally of the past week with a rise of \$% to \$26%. The group had moved up sharply since launching an updated rival to Intel'e microprocessor last

The Russell 2000, the index of smaller companies, edged up 0.06, above its closing all-time high, at 383.58 after weak morning.

Physician Corporation of America rose \$% or 6 per cent to \$6% after its takeover hy Humana, a healthcare group, was announced. The

predator rose \$% to \$24. TORONTO moved higher, dealers saying that the election result had been widely discounted and hed little impact on sentiment. Shares were said to be mostly tracking Wall Street. At noon, tha 300 composite index was up 30.72 at 6,436.80.

Index heavyweights Alcan Aluminium and Seagram moved higher with Alcan up 20 cents at C\$49.70 and the spirits and media glant gaining 95 cents to C\$56.30. Steel stocks remained in favour. Stelco added 5 cents at C\$10.40 and Algoma gained 25 cents to C\$9.05.

Dull hullion hit golds and Barrick Gold shed 10 cents to C\$34.00. Techs wers mostly weak: Newbridge technology groups. Seagate Networks fell C\$1.85 to Technology, the largest disk C\$65.60 and Northern Teledrive maker, fell \$3 or 7 per com shed 25 cents to C\$118.

# Mexico at new high

ment launched its latest ecocomic plan. At midsession, the IPC index was 59.41 or 1.5 per cent higher at 4,062.23.

Announcing the develop-ment plan, president Ernesto Zedillo said that the economy was set to grow by an average annual rate of 5 per cent and that inflation for May would be lower than the 1.1 per cent of April.

BUENOS AIRES also pushed ahead, the market consolidating slightly after

MEXICO CITY continued to its Monday advance of 18 set records after the govern- per cent. Foreign buyers were again in action and at midsession the Merval index

was up 4.41 at 796.50. SANTIAGO, strong lately on the back of high copper prices and fading worries about the lack of rain, came in for modest profit-taking. At the midsession calculation, the IPSA index was off 0.58 at 132.99 in light volume.

CARACAS moved up sharply during a morning of moderate volume. At midsession, the IBC index was 123.0

### Industrials lift South Africa

FT/S&P ACTUARIES WORLD INDICES

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...151.65

Another strong rise for R210. Anglo American was industrials sent Johannes- also a feature, rising R5.25 burg sharply ahead for the second day running, lifting the all-share index 50.7 to

7,12.0 in good volume. Financials were stroog; Rand Merchent Bank jumped 40 cents or 3.5 to R11.60 on plans to move into retail hanking, and Standard Bank rose R5 to

Belgium (26) Brazil (30)....

also a feature, rising R5.25 to R268.25 on the back of a

strong earnings statement. Bonnita fell again on Monday's news of weak profits. The shares fell 16 cents to R2.24. The industrial index closed np 46.4 at 8,336.8. Golds, held in check by another flat day for the bullion price, fell 6.4 to 1,158.2.

| March | Marc

285.70 231.74 282.39 284.95 233.11 189.08 230.41 238.60 362.55 285.96 349.47 386.57 137.59 111.56 136.09 112.25 177.52 143.39 175.46 160.00 304.46 246.95 300.94 334.60 286.49 169.93 207.07 217.57 286.56 232.43 283.24 276.44 180.75 146.61 176.66 186.40 214.86 176.97 215.56 212.18 274.96 223.02 271.78 282.98

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1.77 2.87 1.86 1.28 2.03 1.79 2.07 2.70 2.02 1.71

The Hang Seng index

of warrants issued on Monday.

to HK\$227 ln very heavy

giant by London-based institutions dried up. TOKYO posted a 1997 clos-ing high on active buying by chip exporters and domestic

back from the day'e high. Volume swalled from 311m shares to an estimated 439m but this was seen as rela-tively low, considering the market's gains over two days, and analysts said equities would require strong new economic data to advance significantly.

Advances led declines 638



ping plans to pool their stakes in the company. PARIS continued to rally. The latest twist in the Emu saga underpinned bonda, and the franc also improved. But the main drive again came from the bargain hunters. The CAC 40 index ended

23.04 higher at 2,634.49. Although barely half Monday's bumper levels, volume was a solid-looking 15.2m shares and sentiment stayed generally positive. Accor and Legrand were the hot stocks. Accor jumped FFr53 or 6.7 per cent to FFr849 ahead of today's annual meeting. Legrand gained FFr57 or 6.1 ner cent to FFr995.

Lagardère, down some 13 per cent last week, came in

re price relative to the SET Index.

inance One

Deutsche Morgan Grenfell and NatWest Sellier, jumping FFr7.10 to FFr166. BNP, an equally weak market lately, rebounded FFr1.80 to FFr230.70 after rumours of a

Broker upgrades got behind Thomson-CSF and Cap Gemini. SBC Warburg moved from "neutral" to "huv" and NatWest Sellier from "hold" to "accumulate" at CSF. The shares ended FFr3 higher at FFr156. Goldman Sachs edged up Cap Gemini. FFr6 ahead at

5,207.2 on the higher dollar, a favourable interest rate outlook, Frankfurt's gains and the Dow's morning move from loss to gain. Financials were held back by profit-taking but industrials were strong. Alusuisse rose SFr39 to SFr1,390 as old

stock to its European focus In pharmaceuticals,

Housey changes link (if not merger) with Dresdner Bank of Germany

Burn value 1920 (28/10/90); Highlitey: O FRSE International Lieuter 1927 A early trade.

FF1330, to a trading buy. ZURICH broke the 5,200 barrier for the first time, the SMI index gaining 57.2 at pered with gains of 3 per cent and more. Amper, the

spin-off rumours were revived: in construction, Holderbank rose SFr19 to SFr1,299 after UBS added the

Novartis registered, the most active stock of the day, put in 5.5m traded for a two-day on SFr41 at SFr1.988; and in rise of 5 per cent as investors food, Nestlé picked up SFr21

FTSE Actuaries Share Indices THE EUROPEAN SERIES Open 10.50 11.00 12.00 13.00 14.00 15.00 Com mrk 100 2338.18 2348.34 2343.48 2344.23 2343.78 2343.84 2348.49 2344.14 mrk 200 2364.06 2368.30 2366.10 2360.57 2363.01 2362.75 2363.83 2366.98 May 30 May 29 May 26 May 27 Jan 2

by falling coffee prices in

MADRID, which had been vulnerable to Emu fears, saw a stronger dollar boost its domestic bond market. The general index gained 9.65 or 1.8 per cent at 556.67, although turnover fell from Ptal26bn to Pta80.6bn. The leaders list was per-

telephone equipment maker, rose Ptal35 or 3.7 per cent to Pta3,825 on a plan to repay Pta200 of capital per share. Banks gained from bond market influence, Santander leading with a rise of Pta570 or 4.6 per cent at Pta12.850. AMSTERDAM traded quietly, with KPN and Philips commanding most investor

interest. The AEX index ended up 4.51 at 811.99. KPN gained F12 to F170.70 in 5.5m traded for a two-day warmed to the possibility of

2342.35 2352.28 2370.09 2381.16 2386.28 2382.37 200 - 2967.00 Lawtor 106 - 2537,46 200 - 2559.76. † Parad as this cummer. Philips

demand, adding Fl 3.70 or 3.3

per cent at Fl 113.70.
A reiterated "buy" recommendetion from NatWest Securities failed to lift Nedlloyd. The broker expects the group's container joint ven-ture with P&O of the UK to exceed its cost reduction tar-

Nedlloyd etayed stuhbornly on the downside, dipping 10 cents to F1 47.20. MILAN found support in a a strong lira and what it saw as a more benign outlook for introduction of a single cur-rency; the Comit index

picked up 6.28 to 763.24. ENI recovered L55 at L8,650 after recent losses thet reflected selling by Italian funds shead of the placement of a third tranche of government-held ehares from June 23.

A L62 surge in Ciga to L842 was attributed to specu-

ment of its hotels, as part of ts move to fend off a hostile bid from Hilton

STOCKHOLM was flat, the eneral index rising 0.43 to 2.841.91. However, brokers. said that the Swedish declsion to stay out of Emu in 1999 could have a dampening effect, lifting the kronor and

hitting exports. ATHENS continued its rehound after last week's reaction, the general index recovering another 31.39 or 1.9 per cent to 1,684.38.

Foreign investors continued to offload large holdings in private banks and ected construction stocks on interest rate and foreign exchange fears, but domestic buying interest snapped up most of the offer, said bro-

BUDAPEST said that buying momentum was begin ning to run out of steam, but it was enough to give the market its third successive all-time high, the Bux index rising 113.82 to 6,278.45, up 8.3 per cent over the last seven trading days.

Here, foreign money was mostly on the buying side. arguing that a strong dollar made Hungarian paper more attractive.

Written and edited by William

Cochrane, Michael Morgan and

# Hong Kong at intra-day peak before 1.5% slump

### ASIA PACIFIC

EUROPE

News that Chancellor

and currency assets, in prep-

aration for Emu, sent

FRANKFURT sharply higher

One analyst said that the

move had removed a signifi-

cant political uncertainty.

allowing the market to turn

its attention back to eco-

nomic fundamentals. At the

same time, many investors

were belatedly coming to the

view that the outcome of the

French election at the week-

end was perhaps not as bad

By the close, the Ibis-

indicated Dax was 59.19 or

1.7 per cent higher at 3,655.59

in turnover that fell again,

from Monday's DM10.3bn to

Exporters continued to

benefit from the weak

D-Mark. Volkswagen jumped

DM41.34 or 3.7 per cent to

DM1,167.00 on a rosier export

ontlook. Thyssen rose

DM12.90 or 8.3 per cent to

DM405.90, helped by a posi-

In the opposite direction.

Holzmann tumbled DM14 to

DM490.50 after Monday's

news that Hocbtief and

Deutsche Bank were drop-

tive analysts' meeting.

DM9.4bn.

as many had first thought.

late in tha day.

After another new intra-day high, HONG KONG turned back to close 1.5 per cent lower as investors were insettled by worries about the ootlook for the property market and disappointment at the outcome of the day's government land auction.

closed 230.73 lower at 14.760.17 in turnover that remained robust at HK\$23.3bn, although below Monday's record HK\$26.5bn. Analysts noted that the morning's all-time high of 15,020.96 was largely the result of continued covering

Cheung Kong, which made the winning bid for one of the sites on offer, closed while Hutchison Whampoa. its subsidiary, fell HK\$1 to

HSBC Holdings slid HK\$6 turnover of almost HK\$1.4bn as demand for the banking

foreign investors of blne demand-driven issues, writes

The Nikkei 225 average rose 111.31 to 20,563.16 after moving between 20,432.14 and 20,671.97. Foreign buying more than offset profittaking by domestic institutions, but the key index faced resistance at the 20,500 level and heavy selling in the afternoon brought it

to 437 with 162 unchanged.

### Securities fell Y20 to Y1,370 and Dai-Ichi Kangyo Bank Y70 to Y1,350 on the growing scandal involving both companies in charges of paying off corporate racketeers. Nippon Credit Bank, however, added Y3 to Y250 on Monday's news thet Nippon Life Insurance, Japan's leading clearly rattled sentiment," life assurer, would contribute Y28.5bn to the troubled bank's recapitalisation plan. In Osaka, the OSE average rose 149.86 to 21,269,49 and volume doubled to 21m.

BANGKOK ended lower

The Topix index of all firstsection stocks rose 4.10 to 1,511.93 and the capital-weighted Nikkel 300 by 0.54 to 291.91. In London, the ISE/Nikkel 50 index rose

1997

Among exporters, Sony closed at an all-time high of Y10,100, up Y160. Fulitsu, the day's most active issue, rewrota the year's high, adding Y20 to Y1,470. Many other high-technology issues advanced, with TDK up Y100 at Y9,050, Advantest Y60 at Y8,080 and NEC Y20 stronger at Y20 at Y1,650. Among blue chip losers, however, were Honda, down Y30 at Y3,550, Nikon by Y40 at Y2.050 and Canon, Y20 weaker at Y3,000. Toyota added Y20 to

Y3.430. Domestic demand-driven issues were mixed. Mitsubi-shi Heavy Industries, which recently reported strong profits, fell Y13 to Y852 on profit-taking. Property developers were the day'e biggest gainers, np nearly 2.5 per cent as a group in spite of poor earnings announcements in the just-finished corporate results season. Mitsui Fudosan rose Y50 to Y1,520 and Mitsubishi Estate Y40 to Y1.670.

Stealmakers continued their recent advance, Kawasaki Steel rising Y7 to Y354 end Sumitomo Metal Indus-

| Dollar | Sterling | Ten | Index | In

### In financials, Nomura to 556.57 in thin Bt2.5bn turnover. Ahead of its planned

rights issue, Finance One led the decline, dropping the daily 10 per cent limit or Bt0,60 to Bt5.70. Turnover was Bt239m making it tha day's most active stock. "The rights Issue has

pitched at Bt7.50 a share. MANUA closed weaker on profit-taking after eight consecutive days of gains. The composite index closed 17.94 lower at 2,802.78 after touching an intra-day low of after heavy selling of bank. 2,790.78. Turnovar stayed

and finance issues as worthin at 1.9bn pesos. The selling was mostly ries about non-performing sparked by a steep slide for loans resurfaced. The SET index fell 6.78 or 1.2 per cent Filinvest Land after the gov- T\$124.5.

for an environmental permit for a large project. The shares fell 50 centavos or 7.9

per cent to 5.80 pesos.

huoyed by hopes for an inflow of funds following the finance ministry's decision to raise the ceiling on single said one broker. The issue is foreign fund investment.

The weighted index rosa ately active turnover of The electronics sector rose

Electronics up T\$4.5 at T\$105, Acer Peripherals surging T\$5 to T\$86 and Acer up T\$1 to T\$83. Taiwan Semiconductor added T\$5.6 to

rotational buying of securities and construction shares outweighed early consolidation, while the government's TAIPEI gained ground for financial reform proposals the fourth day running, had little impact as the details had been leaked.

The composite index closed 7.67 higher at 766.06 while the sub-indices of securities and construction stocks rose 6.3 per cent and 58.48 to 8,255.78 in moder- 4.7 per cent respectively.

KUALA LUMPUR was helped ahead by speculative demand for companies 2.1 per cent, with Compal · linked to the Bakun hydroelectric dam project in Sarawak. The composite index rose 8.86 to 1,126.83, as Ekran, the main promoter of the dam project, gained 30 cents to 5.75.

# CHASE

When Ericsson called for a 24-hour FX trading desk

# hase answered it.

Sweden's Eriesson tapped Chase's expertise in global foreign exchange to effectively manage currency exposures from its substantial cross-border commercial flows. With business activities in more than 130 countries, this leading global supplier of telecom equipment calls on the worldwide foreign exchange capabilities of Chase-day and night.



"Professional management of our foreign exchange flows and currency risks is an integral part of the successful development of our company. We look to Chase for their execution strengths, creative ideas including options and a truly global currency capability. 37



343.61 311.36 253.10 304.69 343.61 343.87 254.78 272.56 314.49 284.88 231.65 278.86 284.82 314.74 233.09 249.09 257.61 233.44 168.78 228.43 237.63 284.79 204.71 210.20 386.48 350.21 284.68 342.70 381.29 401.56 231.45 303.16 149.35 135.33 110.01 132.49 170.94 170.36 127.18 169.01 194.52 176.27 143.29 172.49 158.54 198.18 173.55 165.07 335.16 303.71 246.80 287.20 334.46 335.55 248.65 265.88 230.16 208.58 169.53 204.09 214.75 238.96 185.55 191.24 311.80 282.54 229.57 278.48 272.85 302.89 268.97 292.73 198.05 179.46 145.88 175.61 164.93 201.44 178.84 187.41 239.20 218.75 176.94 212.10 210.73 241.02 199.59 211.51 302.80 274.38 223.04 268.50 282.24 305.51 233.10 245.78 0.3 222.42 180.41 219.85 217.26 0.5 1.91 244.28 221.35 179.93 216.60 216.22 246.21 202.32 213.70





Venture capital Funding IT startup in the US: A record year





# Information Technology

The wide use of computers controlled by speech, rather than keyboards and mice, could eventually have dramatic implications in the office and home, reports Paul Taylor

# A new era · of voice computing

punch cards, tapes, keyboards and mice. The evolution of man-machine interfaces in the computer industry has been a slow shuffle towards an intuitive system that many believe will eventually be built around voice technologies.

Now, after more than 40 years of development, industry researchers believe they are close to reaching the 'holy grail' of voice technology - continuous

If they are proved right, voice technology could finally begin to deliver on its long-promised potential to transform both personal and business computing environments and accelerate the integration of the computing and communications worlds.

"We believe speech is going to be the future of the user-interface with computers", says Jan Winston, world-wide manager for IBM Speech Systems.

Lernout & Hauspie, a faatgrowing speech technology pioneer based in Belgium, sees the technology as a way not only to help eliminate barriers between men and machines, but also between men and their human counterparts. "Speech technology will enable innovations that can help us better understand each other - hridging cultures and bringing people together with little regard for the barriers of

iocal language," argues L&H.
Mr Bill Gates, Microsoft's chairman is also a voice technology entbusiast. "We may look back on the computers of today and say, 'Gh, they were the computers you couldn't talk to," he says. By extending access to computing. Mr Gates and others believe that voice technologies could bring forward the advent of ubiquitous computing and the day when there is indeed a computer on every desk and in every

Voice technology has, in fact, made significant advances over the past decade. Only 10 years speech recognition demanded the power of a massive mainframe, now it is a viable option for some tasks on a desk-

cessor was a bottleneck, explains Mr Gaston Bastlaens. president of L&H. While the arrival of Intel's Pentium processors have provided the desktop processing power, further advances in the statistical algorithms and natural language processing have improved both the quality and accuracy of automatic speech recognition aoft-

cations now make a lot of sense," says Mr Bastiaens. Reflecting this, L&H's revenues jumped from \$7.7m to \$31m last year and its customer-list has grown to include a wide range of blue-chip clients such as Microsoft, Northern Telecom, Ford and Samsung.

"Speech recognition has undergone a transformation in the last six months and it looks like more change is on the way," says Jody de Falbe of Talking Technologies International, a UK-based speech specialist and software developer.

based software group which was recently acquired by Lernout & Hauspie, launched VoicePad in October, IBM countered with its Simply Speaking package, and Dragon Systems launched.

Dragon Singles.
This flood of low-priced consumer software - coupled with the gradual move to "voice enable" other software products has belped raise the general awareness of voice technologies and led to predictions of an explosion of both business and

personal use. For example, IBM which also launched its high-end VoiceType 3.0 software last year, expects a million copies of voice recognition software to be sold by the industry in 1997, a ten-fold

increase over 1996. From a husiness perspective, there is another reason for husiness interest in voice technologies. It has long been recognised that people can speak faster than they can write and assimilate the spoken word more quickly than written text. For this reason, the core voice technologies - automatic speech recognition and text-to-speech conversion - hold



Dislogue between men and machine: with Philips' natural speech recognition technology, illustrated above, the dream of being able to communicate with machines through the power of speech is gradually coming true. Also inset, above, is IBM's innovative VoiceType connection for Netscape (top, left); in use, (lower left), is Dragon Systems' plonouring 'DragonDictate' epsech software

increases in productivity.

Among the UK-based users of IBM's software are general practi-tioners, radiologists, lawyers and surveyors. "GPs dictate huge volumes of text each day and it may be more efficient to dictate some text to our computers, freeing-up administrators for more profitable tasks," says Dr Simon Berrisford, a GP who is using the package with its add-on healthcare dictionary.

Similarly, in Belfast City Hospital's radiology department. Voice-Type Dictation has been used to help apeed up the delivery of information from the radiology department to the ward so vital decisions on treatment can be made more quickly. "Giving doctors keyboards would simply add to the many peripheral tasks we already perform, without contributing to, or enhancing, our skills as radiologists," says Dr John Lawson, consultant radiolo-

For IBM, which set up a spe-

the prospect of further significant in tha late 1950s, long before and inserts brief pauses between 2001, A Space Oddesey, Stanley Kubrick's film, popularised the concept of voice-enabled computing, the commercial acceptance of today's voice technologies is

gratifying. Early research at IBM and elsecomputer to listen for specific linguistic patterns in order to arrive at a statistical correlation between sounds and the words they represent.

One of the main methods called 'template matching' involved capturing and atoring a dictated word in a computer database as an 'acoustical' image. In order for the computer to recognise a particular word or phrase among many, it needs to compare the pattern of the uttered word with all the stored patterns in the

functions work well as long as the number of words to be recogcialist speech recognition team, speaks in a consistent manner

ing, a division of the Dutch electronics group, notes, "discrete, or isolated, speaker-dependent reccenition systems generally recognise up to 1,000 words and are useful in very specific busyhands, husy-eyes environments, where focused on training the for example, in luggage-handling systems, and quality-control departments."

The functional limitations inharent in templatematching systems have made this method of speech recognition unacceptable for most mainstream applications, however. The ultimate goal of speech recognition is to develop a ... other words, it can recognise anyone's speech without prior training, and can recognise any word, Therefore, template-matching allow the user to speak at any pace, discriminate between commands, text, and user conversa-

recognition which enables a system to recognise the speaker, rather than simply responding to words being spoken; speech syn-thesis, so that the computer can 'speak'; and artificial intelligence, learn from experience

speech-recognition systems, those with 20,000 words or more, have abandoned template-matching technology and now use 'phoneme' recognition. Phonemes are the smallest acoustical component of a language - there are about 80 phonemes that make up the English language.

"Phoneme recognition is the machine or software program key to success in speech recognithat is 'speaker-independent' - in tion technology, but it is not the whole story," says Philips. The solution chosen by the Dutch group uses a phoneme inventory or vocabulary containing all the words that a system can recogmise, a pronunciation inventory, nised is limited, and the user tion, and work under any condi- or speaker reference file in which a specific speaker's phoneme pro-

An effective speech recognition nunciations are stored, and a lan-H.A.L., the talking mainframe in words. As Philips Speech Process-system therefore combines voice guage model which comprises a

recognising words. Although most commercially available speech recognition systems use similar processes there are differences in the way the user can enter speech. Most In fact, large vocabulary current systems other than those developed for apecific market niches, require the user to speak with short pauses between each word, a method called discrete speech recognition technology. In contrast. Philips claims its natural speech recognition technology allows users to speak naturally,

as if having a conversation. Meanwhile Massachusetts. hased Dregon Systems launched what it claims is the first general purpose, large volcabulary, continuous speech recognition product in April. Dragon Naturaly Speaking allows users to speak naturally and at a normal pace. "When I first started in speech

Turn to back page of this Review

PCs • NOTEBOOKS • SERVERS





# Venture capital, catalyst of the high-tech boom

A record \$5.9bn was invested in young information technology companies last year. Nicholas Denton examines the central role of the US venture capital community in Silicon Valley

importance of venture capitalists to the information technology industry, observe the envy of Mr Roger Lang, founder of Infin-ity Financial Technology.

Here is a 38-year-old entrepreneur who appears to have everything. Infinity is emerging as one of the lead-ing developers of risk management software to investment banks. Mr Lang is a ny's initial public offering last year valued his stake at and in industries such as \$75m. And he remains in retailing and media which five losers, five winners and control as chief executive are being transformed by 15 middling performers,

talist - 'VC' in the dialect of Silicon Valley - and not an entrepreneur such as Mr Lang that is the aristocrat of their traditions. Neverthe-Silicon Valley, says the Infinity CEO. "Being a VC is ther growth is as unbounded an awesome job," he says.

"Exciting new ideas come across your desk every day, you get incredibly rich, you go to work when you want to, and you sit on boards and get to tell CEOs like me

Lang's remarks, is commen-

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year in US IT companies, according to analysts at Venture One, a research firm.

Through their investments in innovative start-ups, the VCs finance much of the IT cutting-edge areas such as the internet

New investment opportunities are opening up outside the US in countries such as the UK, Germany and Israel, technology. To take advantage, the Silicon Valley partnerships will have to reform their organisational structure and abandon some of less, their potential for furas the industry to which they are attached.

Why does a vibrant IT industry rely on venture capital? One answer is that IT sectors such as software often display what is some-times described as increas-The prestige in which the ing returns to scale, in layventure capital community man's terms, this means that is held, illustrated by Mr the winner in a market, the company which establishes a

of the month.

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Dempsey, Jola Shillingford, Philip Manchester, Rod

Tor a measure of the invested a record \$5.9bn last ers typically use Adobe's their colleagues and business partners do, which reinforces the product's domi-

> This means that investindustry'a research and ment performance is highly development spending in variable. What IT startups need is risk capital, which conventional investors such This is just the beginning, as mutual funds are constrained in providing. Enter the venture capitalist. Mr Tim Draper, who reckons that Draper Fisher Associ-ates' latest fund will contain says: "We are risk-seekers."

> > oney, bowever, is the least of it; ven-L ▼ L ture capitalists have a multitude of other contributiona. "You are everything from top recruiter, top salesman, top worrier, top nanny," says Mr Neil Weintraut of 21st Century Venture Partners.

First, they act as headhunters. An entrepreneur funding will not typically have the management expertise to take the company public. "If you hire a good CEO, the business will take surate with its central role. standard of sorts, takes all. care of itself, but usually an Venture capital firms For example, graphic design- entrepreneur has no net-

work and no idea who to hire," says Mr Draper. So the venture capitalist usually takes on the role of matchmaker, leavening the visionaries with some seasoned

Mr John Doerr of Kleiner Perkins, which brought in Mr Jim Barksdale as chief executive officer of Netscape and in the 1980s supplied one of its own partners to help run computer-maker Tan-dem, says: "My main job from 7am to 9mm is to recruit people. I am a glorifled recruiter."

Second, VCs provide advice and support. Accel. Partners, for instance, has a programme for entrepreneurs-in-residence, to whom it gives office space and time to develop business plans. For inexperienced entrepreneurs, VCs are mentors, too. We are professional coaches," says Ms Ann Winblad, co-founder of Hummer

Third, an active venture capitalist refers the companies in which it invests to professional services firms such as lawyers and accountants with practices specialising in information technology. Start-ups backed by a well-known venture capital who approaches a VC for firm can often obtain legal and other professional advice at a discounted rate. until they have the revenues to cover full fees.

Winblad.

Fourth, VCs are cheertheir portfolio. The backing of a leading venture capital firm, which has called technology trends correctly in the past, brings credibility with commentators and the money, the venture industry brings contacts and confidence," says Mr Weintraut.

as we create companies." Finally, the most ambitious venture capitalists act as boosters, not just of a few companies, but of the entire category into which an investment falls. They attempt to create a buzz of excitement around a particular concept, such as the Java become wealthy but rarely computer language, which maintein control. "The

will validate it as a business. "Almost all the internet phenomenon has come from venture capitalists, with Microsoft bringing up the rear," says Mr Jack Wilson of Technologic Partners, an IT newsletter group and con-ference organiser. "The VCs have the ability to make things happen much faster established compa-

o central is the role of the VCs that it begs a question: did the venture capitalists create Silicon Valley or have they simply benefited from its growth? It is one of the great chicken-and-egg questions," says Mr Wilson

At first sight, the answer is obvious. Hewlett-Packard, the original Palo Alto electronics company, and Stanford University, the source of much of the technical talent in the Valley, both predate venture capital.

Moreover, the venture capitalists, and for that matter the investment banks which take high-tech companies public, are shifting from San Francisco down the peninsula and congregating around the epicentre of hightechnology companies in



New Enterprise Associates, which was based in the city. is one of the last partnerships to move its office down to the heart of Silicon Valley. "The scene of the action is in the Valley. You want to be on the doorsteps of the entreoreneurs."

However, venture capitalists are more than camp followers. Silicon Valley's uniqueness lies not in the initial concentration of technical talent after the war,

ficiency of the VCs bae improved. Partners now typically focus on specific areas such as enterprise software or networking equipment. Firms specialise, too: Hummer Winblad invests exclusively in software companies, and 21st Century Venture Partners only in internet companies. "People are much more knowledgeable than they were 15 years ago," says Mr Dick Kramlich of NEA.



leaders for the companies in Ten Draper of Draper Fisher Associates: We venture capitalists are

which existed also around other universities and defence facilities in the US, and in places such as Camatart-up's potential custom- bridge in the UK. It is the ers. "Far from just providing phenomenon of company formation.

We create markets as much ate from Stanford, business success carries as much prestige as the academic career which tends to attract their counterparts in Europe. Moreover, they know the rules of the venture capital game: visionaries such as Mr Marc Andreesen of Netscape model is so well-known by everybody that the issue of control is academic," says

> Venture Partners. And risk-taking, even if it results in failure, is genuinely lauded. "If someone has tried a venture and falled, there is still great respect for that person, says Mr Jim Breyer, managing general partner at Accel Partners. As an example, he cites Mr Bill Campbell, who eurvived the failure of Go Computing, the pen computing company, to emerge as one of the key managers at Intuit, the personal finance software house.

Mr George Still of Norwest

Nevertheless, venture capitalists have been an important part of this culture since the early days of Silicon Valley. The first venture investment dates back to 1968, when Mr Arthur Rock backed a new semiconductor start-up called intel

Since then, the industry has grown more professional. First, the groups of wealthy individuals who met in restaurants to discuss prospects in the 1970s have coalesced into partnerships such as Kleiner Perkins. Sequoia Capital and New

Venture capitalists believe their broad perspective on the IT industry gives them better returns than other investors would be able to

mation. "We probably have more in part, this is a matter of insight than anyone else," ners. "We know what has research company Ventubeen funded and so we can reOne, was particularly proftell what the market will itable. look like in three years'

> prompted by heightened competition for the most promising investment opportunities, have become more active in seeking out compa-



tion of the companies in which it invests. Sometimes the partnership appears to decide not just which companies to finance, but which ought to exist. "They hava a vision and then look for mercenaries to fulfil it," says an executive at another partner-

venture capitalists would concede that high-tech companies would still form without them. Entrepreneurs can often find initial backing from friends and family and, if the business is successful, fund expansion from cashflow. Microsoft followed this model.

Nevertheless, venture capital appears to speed the process. That has two facets. What we do is to accelerate a company's evolution. We can help it do in six months what would otherwise take two years," says Mr Jim Breyer of Accel Partners.

Equally, a venture capitalist promotes speed, "VCs are good at saving time," says Mr Neil Weintraut, founder of 21st Century Venture Partners, "If the business model is weak to begin with, it is best left to perish." In part, because of their

talent as investors, in part because of the growth in high-tech stock prices, venture capitalists have performed well on behalf of their investors. One VC estimates that the rate of return on its investments since 1990, when the high-tech upturn began, has averaged 40 per cent. Last year, in which venture-backed com-

These returns have attracted more money from the pension funds and other institutions which invest part of their assets in venture capital funds in order to boost returns. Venture capital partnerships, which once

the US. "It has evolved from being a cottage industry to being a real business," says Mr Kramlich of New Enterprise Associates. "It's Amer. ica's secret weapon. I'm just sold on this business as ar economic life-form.

With investment success has come prestige. For instance, Mr John Doerr of Kleiner Perkins, the pre-eminent partner at Silicon Valley's leading venture capital partnership, was judged by Upside magazine the most influential man in the hightechnology industry after Mr Bill Gates of Microsoft and

Mr Andy Grove of intel. And venture capital is an increasingly popular career choice for graduates. The venture capital club at Stanford Business School, 12strong in Mr Draper's time,

fallible. They can, for instance, get carried away with the bype which they are so expert at generating, "There is a lemming effect. And theo the entrepreneurs, thinking that the VCs are really smart, pile in, too," says Mr Breyer of Accel Partners.

The list of stillborn industries into which venture capitalists have plunged enthuslastically is a long one: disk drives and artificial intelligence in the 1980s, pen computing, mobile data communications devices ond multimedia in the early 1990s. Some would add: internet search engines and 'push technology' in 1996. culture. For a science gradu- says Mr Geoffrey Yang of panies going public raised a "It's been a gold rush," says Institutional Venture Part-record \$7.3bp, according to Ms Ann Winblad, "And some people are going to find a themselves holding fool's.

> Critics suggest that Kleiner Perkins' keiretsu idea. which is inspired by the industrial and financial groupings around Japanese companies such as Mitsubishi, amacks of a corporatist industrial policy discredited in Japan and Europe. And some of Kleiner Perkins's immaculately conceived startups, companies created? out of vision such as Dynabook, have been noteable

Moreover, in the past, their moments in the sung have passed quickly. in 1983, at the height of the PC revo-Intion, Arthur Rock made the front cover of Time magazine. After that succes venture capitalists were not heard of for another seve years," says Mr Draper. Mr Doerr is aware of the dangers: he is taking a break from on-the-record inter-

The danger of a new down turn is there. As in the mid-1980s, too much money is investment opportunities This is partly because the main VCs are flush with funds. The new factor is the growth of investment in startups by companies such as Intel, Adobe and Soft bank, which are seeking to gain financial and intellect tual exposure to develop ments such as the growth of the Internet. VentureOne venture industry

Continued on facing pas



"It's been a gold rush," says Ann Winblad, co

nies and individuals with potential. In 1990, about 60 per cent of NEA'a investment ideas came from within the firm, rather than from approaches from entrepreneurs; now about 85 per cent come from within.

Proactivity is sometimes taken to extremes. Kleiner Perkins offers, as well as financing, membership of its keiretsu, an informal associa-

would have taken six months to raise new funds. found last year it could take as little as six weeks. That, in turn, has increased the amount VC firms have available to invest. VC investment in US information technology companies in 1996 was 7 per cent above the previous year's level.

This .. investment has

driven the high-tech boom in

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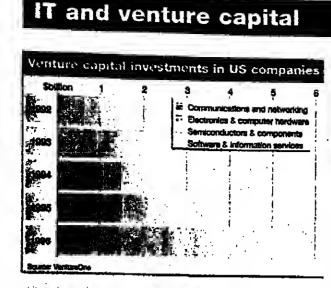
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PURIDING IT STARTUPS

# A robust market

From facing page:

venture

research group, has found that IT companies are on average prepared to pay more than a venture capitalist for a given stake.

Mr Kramlich of NEA says: "I'm worried that these pools of capital are growing larger. The returns are going to attract capital. It's getting more competitive. People are criticising sach other. It didn't used to be like that."

There are several manifestations of overcrowding. Venture capital firms, which in the 1980s typically formed syndicates to spread the risk they faced, now often seek to invest alone. That trend shows up in a drop in the average number of venture capitalists committed to a given company, from three, historically, to 2.4 in 1996. "A lot of the VCs have so much money under management that they can't afford to team up with others," says

Entrepreneurs are becoming more aggressive in their negotiations with venture capitalists. The public marwhich sets the price entre-preneurs can achieve in an initial public offering, has risen since 1990 but for two interruptions. By 1993, according to VentureOne. the robustness of the IPO affect valuations for venture cess,

Survey

EXAT

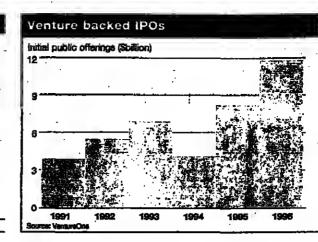
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investments in companies just before they went public. CheckPoint Software, an Israeli company which develops internet security software, went as far as hiring Broadview Associates, the advisory bontique, to manage an auction in which venture capitalists bid to invest in the company. Ms Cristina Morgan, head of investment banking at Hambrecht & Quist, says: "The VCs are

having to pitch for everything, which is funny." By last year, booming valuations were beginning to filter down to startups. Internet companies at an early stage last year tended to command valuations about a fifth higher than the historic average, There are some extreme examples. "One entrepreneur came into our office wanting a \$15m valuation," says Mr Draper of Draper Fisher Associates. "He had two employees and hadn't even started husiness

Nevertheless, venture capitalists should not grumble too much. The valuations are a reflection of the ket for high-tech stocks, returns that VCs bave obtained in the 1990s. And the chutzpah of the Silicon Valley entrepreneur, which the VCs have themselves encouraged, drives the industry's vitality. To the extent that VCs are suffermarket was beginning to ing, they are victims of suc-

Leading US venture car	anai portroli	0\$	
Venture capital companies ranked initial Public Offerings (IPOs)	i by number of 19	96 portfoli	0
Firm	Headquarters	Total no. of IPOs	With board seats
Kleiner Perkins Causeld & Byers	Menio Park	. 18	13
Sequoja Capital	Mento Park	17	7
Actions International	Beston	17	4
Norwest Venture Capital	Minneapolis	15	10
Warburg Pincus Ventures	New York	14	. 5.
Institutional Venture Partners	Menio Park	13	8
New Enterprise Associates	Saltimore .	13	. 7
Summit Partners	Boston	12	. 8
Hambrecht & Quist	San Francisco	. 12	. 1
Brantwood Associates	Menio Park	11	à



BEYOND SILICON VALLEY . By Nicholas Denton

# Untapped opportunities

It is not yet clear whether the Silicon Valley model for venture capitalism is exportable

he market for startup companies may be growing as overpriced as that that for real estate in Silicon Valley. but venture capitalists in search of investment projects enjoy two relatively

untapped opportunities. First, there are new clusters of information technology business developing ontside Silicon Valley. Companies such as Progressive Networks, the developer of the RealAudio software for music and voice over the Internet, are springing up around Microsoft in Seattle. And the Internet makes it easier for software companies outside the US to distribute their products.

The growing viability of IT companies ontside Silicon Valley presents an opportunity for expansion. The venture industry will spread all over the world. savs Mr Tim Draper of Draper Fisher Associates. "By 2015, venture capital will be everywhere."

One UK matchmaker reports the delight of Silicon Valley venture capitalists finding investment prospects for which, for once, their competitors are

not fighting. Second, there are new opportunities for investment in sectors such as retailing and media which are being influenced by information technology. Again, Kleiner Perkins has supplied a model. It vested in Amazon.com, the internet book retailer, valued at about \$430m when

floated last month. However, neither of these new areas is particularly appealing to Silicon Valley venture capitalists. First. many VCs take after Mr Don Valentine, the founder of Sequola Capital, in adopting an area code rule. This means that every company should carry a telephone number beginning with 408 or 415: in other words, it should be in

for effective supervision. "You need to breathe the same air as the management, see the look in the management's eyes," says Mr Neil Weintrant of 21st Century Venture Partners. "You need to meet their customers face-to-face and smell their environment. You can't do

Silicon Valley, close enough

International investments are more risky. For a start. they are far away. Moreover, nowbere has Silicon Valley's infrastructure of lawyers such as Wilson Sonsini and banks such as Silicon Valley Bank, which specialise in startup companies. "You can move

that on camera.

VCs to other parts of the world, but it is difficult to move the other parts of the machine," says Ms Ann Winblad of Hummer Winblad Venture Partners.

Second. venture capitalists are uncomfortable with businesses which make their money out of consumers. They use a gold rush metaphor, the people who made the money were those who sold the shovels rather than those who dug

VCs typically prefer the companies which make the tools for business, rather than the businesses themselves. And there is the issue of familiarity. "VCs typically don't predict consumer behaviour very well," says Mr Jim Breyer of Accel Partners.

inally, any expansion would put the structure of venture capital firms under strain. Even the leading outlits have fewer than 10 full partners. They meet, usually every week, to discuss each other's favoured investments. The carried interest, the 20 per cent of investment gains in a fund which a venture capital firm keeps, is traditionally distributed

equally among the partners. Many firms are reluctant to expand lest they spoil a culture which has served them and their investors well. NEA, for instance, will hire no more people than

can fit in its new office in Menlo Park. "What I wanted to do was to bound the growth of our firm with ass and concrete," says Mr Dick Kramlich of NEA. Venture capital is an art form and I didn't want the

firm to get too bureaucratic." Some alternatives to the standard partnership are emerging. Many VCs, intent on increasing their expertise but wary of overloading the partnership, are hiring consultants. Institutional Venture

Partners, for instance, has begun to adjust the rewards of its partners to reflect their individual performance, as do larger partnerships such as Goldman Sachs, the investment bank. And one VC, Advent International, i going even further. It has about 70 venture professionals spread widely. Of the 24 companies in its portfolio which went public last year, seven were from outside the US.

However, it is not vet clear whether the Silicon Valley model is exportable. Mr John Doerr of Kleiner Perkins, which, along with many other VCs, has its offices on the Menlo Park road, located along the edge of Stanford University, has his doubts. "We still get a lot of Japanese visitors who come to our offices and take pictures as if they could capture what goes into Silicon Valley by taking pictures on Sand Hill Road,' PROFILE: Ann Winblad

# The Queen of Mesopotamia

Ann Winblad has some of the best contacts in the high-technology industry

ssopotamia, the cradle of civilisation: thet is what Ms Ann Winblad calls the cluster of technology companies around San Francisco in northern California. Were Silicon Vallsy indeed a domain, Ms Winblad, cofounder of Hummer Winblad Venture Partners, might be

The 46-year-old venturs capitalist, pictured on the facing page, features regularly in the new elite identified by styls and technology magazines such as Vanity Fair and Upside. Ms Winblad, who collects all the clippings, relishes the attention. "John Doerr [of Kleiner Perkins], who is an extremely bright guy, is the most well-known VC," she says.

"I'm probably the second." This is more than tokenism on the magazines' part or vanity on Ms Winblad's. Hnmmer Winblad's first fund, in its eight years, has achieved average annual returns of about 50 per cent. The partnership manages about \$100m of venture money. And Ms Winblad is one of the most anthoritative commentators on the direction of the technology sector. Ms Winblad, unlike other VCs such as Tim Draper who is the third generation of his family in the business, was not born into the Silicon Vallev aristocracy. She was brought up in small-town Minnesota, where her father was a high-school football coach.

Moreover, her involvement in venture capital is relatively recent. She began ber career as a programmer. before in 1976 co-founding an accounting software com-pany, called Open Systems.

The \$15.1m proceeds from the sale of the company to UCCEL Corporation in 1983. divided among the founders and investors, helped make

Ms Winblad relatively wealthy. Nevertheless, Ms Winblad only found her ultimate metier in 1989, when she joined with John Hummer, a former professional basketball player, to found a venture capital partnership.

They remain outside the mainstream, partly because of their exclusive focus on investing in software companies, but also simply because of their location: now in Berkeley, soon to move across the bay to SoMa in San Francisco itself, still far from the epicentre of venture capital, further south in Menlo Park in Silicon Val-

"There is something of a sheeplike mentality: breakfast at Buck's, lunch at the Sundeck or Il Fornaio," says Ms Winblad of the meeting places down in Silicon Valley where venture capitalists usually evaluate antrepreneurs. "We are perceived as a bit of an outsider."

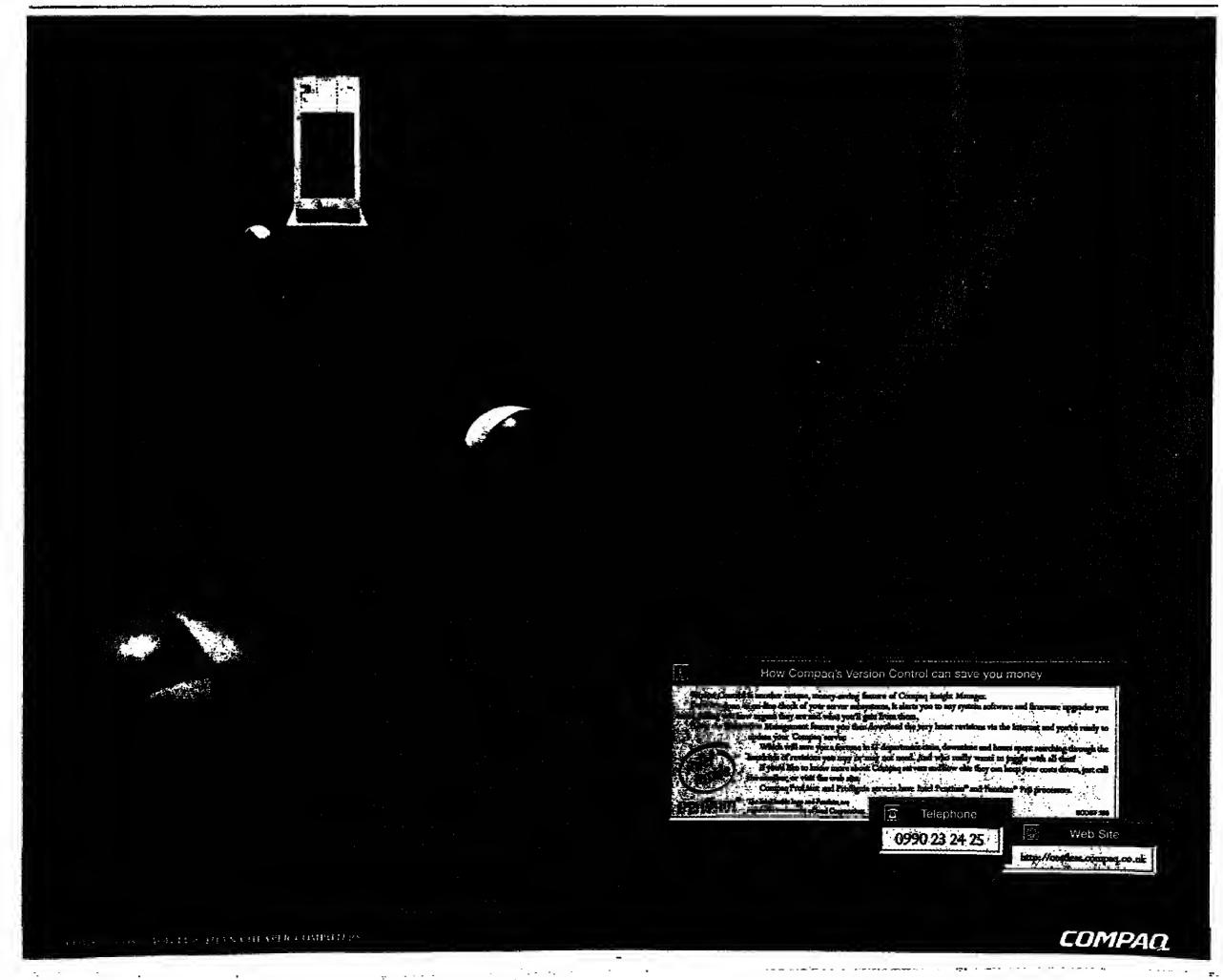
owever, that is more the image that Hummer Winblad projects than the reality. Ann Winblad has some of the best contacts in the hightechnology industry. For instance, in the mid-1980s. she and Bill Gates, chairman of Microsoft, were a couple, and the two remain friends.

Ms Winblad's clont helps attract managers, one of a venture capitalist's most important functions. She tells how she wooed Monica Nestor, a vice-president of marketing at Symantec, to Intrinsa, a software company in Hummer Winblad's portfolio which develops debugging tools for other develop-

We have the best chance of attracting managerial talent. We help persuade managers to commit," says Ms Winblad.

She is keeping Silicon Valley's cradle rocking. "Here in Silicon Valley, people know that companies can do or die depending on the support they get from investors," she

- Nicholas Denton



ANALYSIS . By Paul Taylor, IT Correspondent

# Companies are asking tough questions about their IT systems

Cost-conscious users are looking for IT suppliers and partners who can provide them with end-to-end solutions to their enterprise-wide data processing, network and communications requirements

important crossroads. The astonishing growth of the Internet and rapid adoption of Internet technologies within husinesses is forcing companies to re-examine their operations and take a more holistic approach national towards their IT require-

In the process, corporate boardrooms are investigating issues such as total cost of ownership, whether their current aystems provide value for money and if they will be capable of ensuring their success in increasingly competitive and fast-moving

Spurred by concerns about the cost, performance and manageability of traditional client/server systems huilt around 'fat client' personal computers and local area networks, many companies are questioning their IT strategy. "Most people agree that it is time to take another look at client/server systems," says Mr Ray Lane, Oracle's chief operating offices.

As a result, some companies are swinging back towards a more centralised or 'enterprise' model of computing, sometimes based upon a three-tier model of database server, applications server and thin client. "The database side doesn't change," says Mr Lane, "the big change is in the middle

But some analysts see the change as far more fundamental. "The return to centralised computing is a major earthquake, and as scape," says Mr Robin Bloor, ronment that supports its based model of client-server

Neil Mclville of Nissan

Motors knew the obvious

benefits of consolidating all

the company's European data

centres into one. Not so obvious

were the enormous difficulties

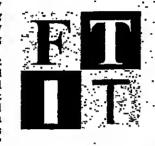
of getting it done within

six months and without

SPAN MANUFACTURING

The world of corporate chief executive of Bloor interpreter. computing is at an Research in a report that was published last year.

"Some of the hulldings will be left standing and others will not. Its tremors will be felt across the world by IT vendors, hy all types of organisations and even hy national economies."
According to Bloor, there are three technology developments that are driving the return to centralised com-



### **Enterprise** computing

Here and on the following seven pages, FT writers highlight trends in corporate networks

client' hardware that equates to a stripped-down PC, consisting of an inexpensive CPU, memory, monitor, keyboard, mouse and ports/ cards for printing and net-

work connection. □ The emergence of the with all major earthquakes Java language that can

massive business interruptions.

Melville had heard that EMCs

Enterprise Storage offered more

than just a shared repository,

but he was amazed at how

fast and trouble-free the

system's platform independence

made the migration of more

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☐ The maturing of massively parallel processing hardware, which can be used to replace multiple central servers and PC local area network servers with a single machine.

"It is the coincidence of these three technologies together with the growth and maturing of the Weh that are the cause of the earthquake to which we refer and which will send us in the direction of the global integration of computing." says the controversial

Mr Bloor argues that the likely consequences of these changes include a gradual decline in the PC market as corporate desktop PCs are replaced by thin clients such as the Network Computer proposed by Oracle, Sun Microsystems and their part-

At the same time, he predicts that PC operating systems such will be superseded by a browser supporting a Java-enabled environment and that most applications software will migrate to Java. Equally controversially, he suggests that the corporate server environment, which is currently very buoyant, "will consolidate into a small number of boxes and ultimately a single box."

Among the consequences of these changes he predicts

☐ For corporate IT departments - the mainframe approach to computing is returning, but it will be 'a mainframe by other means'. There are significant opportunities to cut the per user it will rearrange the land- run in any computing envi- IT costs. The emerging Web-

computing will need to be understood and implemented. Most organisations will need to pick strategic technology partners to help them through a possible painful migration period.

□ For companies as a whole - IT will become an increasingly more important component of the competitive edge. The level of outsourcing will increase, espe-cially for facilities management. Most husinesses will become Web-orientated - building intranets behind accurity firewalls. Organisations will need to rethink their husinesses in most areas including location, office space, sales and marketing, distribution and personnei.

☐ For IT suppliers Those that depend most on the PC market are likely to suffer most. Those that depend most on the server and services markets are organisations don't need likely to prosper.

While other analysts may disagree over the extent of the swing back towards a centralised computer model, there is a broad agreement that some re-balancing of roles within distributed computing systems is desirable and, to some extent, already

ndeed, although many people are convinced that the Oracle/Sun/Netscape NC initiative was initially motivated as much self-interests and the desire to build an anti-Microsoft coalition as concern over factors such as cost of ownership, it has undoubtedly found a resonance among the industry'a corporate cus-

Reflecting this, Microsoft

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Business pressures: a weary moment for a foreign exchange dealer, but there are he many IT systems managers facing intense demends for enhanced, enterprise-wide solutions

Intel and the traditional personal computer manufactur- now available," be says. ers, such as Compaq, have been quick to counter with their own proposals for cutting ownership-costs and improving the scalability, manageability and reliability of PC-based systems.

Similarly, far from heading towards extinction, the reworked mainframe is enjoying something of a renaissance - especially for finance functions. In a report produced for IBM's S/390 mainframe business. Mr Dennis Keeling, a UK-based IT consultant, argues that "a mood of change sweeping the marketplace favours a re-examination of the mainframe server solution."

"It has been fashionable to think that large modern mainframes. But while street fashions may come and go without much negative impact on anyone, it really could be very damaging even fatal - for any large husiness to try and he trendy hy limiting or restricting the role of its mainframe systems."

He points out that in the last year all the leading software developers including SAP. Oracle and JD Edwards have created mainframe versions of their business applications packages.

"Big corporate users are replacing their financial systems, rather than upgrading them, because of the new

family of flexible packages

"The mainframe's popularity is rising again as large corporates implement it as a key database server and, at the end of the day, the reality is that desktop systems have become a support nightmare, that open systems have not been scalable, and that the top limit for typical Unix servers is 1,000 concurrent nsers at best.

At the other end of the spectrum, the thin client debate has re-ignited interest in old-style 'dumh' terminals and revitalised vendors such as Wyse Technology which expects to sell as many as 250,000 of its Winterm 'thin client' devices this year.

eanwhile, the shift In market sentiment is also reflected in the search by companies for IT suppliers and partners who can provide them with end-to-end solutions to their enterprisewide data processing, network and communications requirements.

This, in turn, is driving a new round of mergers and consolidation in the IT industry Itself. Nowhere is this more apparent than in the networking equipment market - at the beart of the exploding Internet and intranet. For example, Cisco has emerged at the undisputed

networking equipment mar-

ket leader through a series of acquisitions which enabla the group to deliver a full range of networking technol-

ogies to its corporate cus-Others are trying to emulate Cisco's success. For example analysts view Ascend's recent \$3.7bn purchase of its fellow networking equipment vendor, Cascade, as an attempt to build another networking 'one-

stop-shop' Among those IT suppliers facing the greatest challenge are Compaq Computer, Intel Microsoft has responded

by attempting to extend the reach of its software even deeper inside the corporate IT infrastructure. in particular, it is attempting to strengthen the appeal and scalability of Its NT operating system and back office suite of corporate applications by adding clustering and other technologies which large corporates say they need.

For his part, Mr Eckhard Pfeiffer, Compaq's chief executive, has said he aims to transform the \$8bn-a-year PC vendor into a top three \$40bn computer group by the end of the decade capable of competing with existing endto-end suppliers like IBM.

Underscoring their determination to rise to the challenge posed by enterprise computing, Compaq and D Rise of the virtual corpo-

offensive. Last month as part of 'Microsoft's Scalability Day', the pair demonstrated that a distributed database running on Windows NT and 20 Compaq ProLiant could handle more than a billion transactions a day - sufficient for an enterprise class branch-banking computing system.

ust how successfully those companies - such as Compaq, Microsoft and Intel, which dominate the PC market - can adjust to the changes now underway in the corporate computing world remains to be seen, though all three have proven themselves well-able in adapting to and exploiting change in the

Mr Rohin Bloor suggests that IT is in the midst of the 'third wave' of technology changes. The "batch wave" of the 1960s and 1970s was dominated by a centralised resource that users shared in an organised manner. This was followed in the late 1970s and 1980s by the 'online wave" which distributed these resources to departments running minicomputers. Then came the 'distributed processing wave" of PCs connected to a corporate network which bas been emerging since the mid 1980s.

In phase one of the third wave. PCs were hooked up to servers, Mr Bloor argues that the second phase, which we are now entering, will see the advant of thin client hardware and Java that will support "a more ecocomic approach to distributed computing."

Phase three, he admits, is difficult to predict, hut describes it as "the global integration of computing".

'The Enterprise by Other Means'. Bloor Research Group, (44) 01908 373311. 'Managing Risk in Times of Change', IBM (44) 0990 390

Corporate bottlenecks: see report, page 6 ☐ Emergence of the 'PCmainframe': report, page 10

INTERVIEW . Rod Newing talks to Steve West, president of Hitachi Data Systems

# Mix-and-match mainframes

Consolidation in the financial services industry is helping to boost the demand for new-style mainframes for large-scale computing

kets for high-end mainframes and personal computers: both markets are driven by the need for dollarvalue and enhanced computing power.

competing on price, features and function - and it is just the same when a data centre manager is buying a mainframe," says Mr Steve West president and chief operating officer, Hitachi Data Systems (http://www.hdshq. com). "The market for computers to run large data-bases and big applications is also highly competitive."

California-hased Hitachi Data Systems (HDS) is 80 per cent owned by the Japanese electronics giant, Hitachi, with US systems integrator EDS owning the other 20 per cent. HDS meets the need for high-end computing with a range of IBM S/390 compatihle mainframe computers and storage devices. Its Skyline range of mainframe computers are claimed to be the most powerful commercial computers in the world.

There are other similarinobody is exclusive," says and-match mainframes, too. However, it is a false sense of security since only we and IBM are in this market - and we offer the same architec-

HDS has always concentrated on big-scale computing for large data centres. for large system computing was dying, but the S/390 market now has a strong worldwide growth in sales.
"We are comfortable with

where the market is going and with our opportunities." says Mr West. "Our customa need for enormous amounts of computing power in a centralised location. The risk of lost data in such large systems is very high. We have to push for 100 per cent reliability in

here are many similar-ities between the mar-tom line of our sales pitch is 100 per cent availability."

Fifty per cent of HDS's IBM or Amdahl machines. Mr West explains that the main reason for these wins "A PC without software is is HDS's sharp focus on the market: "Large-scale computing is all we do. We are not an end-to-end solution provider and we are not the higgest, but we concentrate on huilding retationships with our customers."

HDS has a service organisation which focuses on helping customers to run their data centres better. "Customers want to concentrate on husiness applications, not technology," says Mr West. "We are here to help them succeed with their 390 mainframe."

any new mainframe sales are Coming from telecom companies as a result of deregulation in the US and Europe. Itemised phone billing, for example, requires vast amounts of storage and computing power.

The consolidation in the ties with the PC market: "In financial services industry is tha mainframe market, also creating demand for new machines. Mr West Mr West "Customers mix- attributes the increased demand for mainframes not based upon a notion of not just to their price/perforgetting tied to one vendor. mance, but because more enterprise data is wanted by users in tha central office, local/home offices and when travelling.

fluge amounts of computing power are required to put information into digital format, to store, manipulate Three years ago, the market and deliver it to end-users in a "visually exciting and pleasing format".

The users' desire to gain access to information is driving everything in the industry, says Mr West. "We make the world's largest computers for commercial applicaers are large corporates with tions, connecting 50,000-60,000 users."

There are 149 Skyline machines worldwide: the cost of these machines is, typically, around \$5m. The largest customer is Deutsche Telekom which has 10 of operating systems at the customer is different."

them. Their combined power is 8,000 million instructions per second, (Mips - the measure of mainframe computing power). That is roughly equivalent to 16,000 personal computers.

HDS is unashamedly concentrating on building largescale machines with poweris dismissive about IBM's strategy of using cheaper, less powerful processors and linking together separate machines through its Parallel Sysplex clustering technology. "Do you want to pull a cart with a horse - or a thoosand chickens," he

Tha millennium datechange problem for computers is taking IT resources, so HDS is seeing a hiatus in software development. However, some users have large-scale Unix box, similar hrought forward their planned Skyline purchases. using tha new machine for millennium data-testing, with plans to convert it to production use later.

In September 1996, OS/390. the mainframe operating system that used to be called MVS, was awarded Unix 95 Profile Brand certification by the X/Open Company, the Unix standards organisation, now part of the Open Group.

IBM and Amdahl are proclaiming the Unix 95 branding as a big step forward, giving their S/390 mainframe owners access to husiness packages, such as SAP, Oracle, Baan, JD Edwards and JBA, as well as Internet and intranet software, including Java and Lotus Domino. Mr West does not share their enthusiasm. "OS/390 is trying to put a square peg in a round hole. Unix applications are not efficient on the mainframe."

HDS manufactures the Osiris, a mainframe-based Unix snper-server. "We know that Unix is running on an \$390 works, but it isn't successful in the market," says Mr West. "The architecture needed to run MVS is different from Unix. It's like putting lipstick on a bull-

HDS is looking at what is next in large-scale computing, although nothing will be announced for two years. "MVS, Unix and Windows



Steve West: 'The users' demand

turn of the century," he predicts. "There is an affinity between large-scale Unix and MVS processing. There may be an opportunity to sell a to a mainframe, hut with a processor and architecture signed to run Unix code.

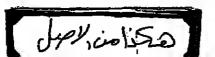
"Current Unix servera aren't very hig in terms of processing power. One box could replace a cluster of 10 Pyramid or Tandem

machines. A machine for Windows NT is further down the road. According to the agreement under which EDS and Hitachi purchased National Advanced Systems to form HDS, EDS is allowed to appoint tha president and chief executive officer of HDS, and Hltachi appoints

the chairman. Working for a Japanese parent certainly gives you a different perspective," says Mr West. "You need to have a sensitivity to other cultures and know the differences. However, their business objectives are no different from ours and they are wonderful people to

work with. "The new generation of Japanese executives bas an international outlook: these people also have an ability to express themselves in English, which nllows a close relationship."

Mr West believes that people who are involved in technology need to take an end-user viewpoint; "They just want data and don't care about the platform or access method. You mix-and match mainframes to meet NT will be the dominant their objectives - and cvery



**ENTERPRISE SERVERS** 

# Small but powerful

That old term, "mainframe" They are linked to Oracle or is obsolete, since it has been DB2 database software replaced by an "enterprise already written for MVS. server" which is just like any other server, except that it is more powerful. connectivity hetween the

IBM announced last year that full Unix capabilities 390 databases. bad been successfully brought to enterprise servers. Its OS/390 operating system bad achieved Unix 95 Profile Brand certification transaction volumes with hy the Open Group, the Unix standards organisation. OS/ 390 includes the MVS operat-

The mainframe has migrated into a large server. predominantly based on Mr Paul Clark, European IBM's S/390 architecture, managing director of techniwhich is also used by cal services at Electronic Hitachi Data Systems and Amdahl, although other operating systems are in use.

### Compact

cooled machine that occupies an area one metre square and stands two select the best solution for metres high and can be managing information and located in an ordinary office environment. Multiprise 2000, the entry level version, starts at £50,000.

Shipments of \$/390 costs. systems are increasing when measured in Mips (millions of instructions per second. the measure of computing but also has the opportunity power), representing an 18 to to consolidate multiple serv 20 per cent growth in ers.

With the announcement of Unix '95 branding, the traditlonal Unix client/server application vendors, including Oracle, SAP, Peoplesoft, JBA, JD Edwards and Baan were quick to announce that they now support OS/390.

Amoco, IBM PC Company, Lufthansa, Motorola and CariZeiss Jena were using their S/390 servers to run R3 packages and Oracle named Tesco, the UK retailer, as an S390 client for its applica-

However, after investigaapplication software continues to run on Unix servers.

However, Unix '95 branding has brought the required

Unix applications and the S/ As an enterprise database server, the S/390 offers client/server applications the ability to handle massive consistent high performance

and large numbers of users. "The industry needs to manage the enterprise server better than the client/ server explosion," suggests Data Systems, the computer services company.

"Client/server was the answer to the aptralling costs of the old mainframes. but people now understand The S/390 is a compact air that the altuation has reversed. They now look at their husiness processes and delivering data across the enterprise, which got lost in the euphoria to throw out the mainframe to reduce

> The enterprise server faces fierce competition for new applications on its own sites,

"If you ask Digital, Hewlett-Packard. Sun or our own RS6000 group who their best customers are, they will also he my best customers," says MrArthur Parker, head of IBM's European S390 business. "Most big organisahey now support OS/390. tions have everything and SAP announced that they are the higgest spenders. There is a huge opportunity to capture new applications from just the top thousand organisations in Europe."

Organisations are moving very fast towards new Intranet and Internet applications

BUSINESS-TO-BUSINESS LINKS . By Nuate Moran

# Now the attention turns to extranets

Even the smallest companies will eventually be able to afford extranet connections with business partners

bere have been atarthe use of Internet technology to create internal networks - intranets - linking corporate islands of information, with some UK companies reporting a 1,000 per cent return on invest-

"This is the year of the intranet. Get one now or get trampled in the rush in 1998," says a new survey of 400 FT and husiness directors in the UK by PA Consulting Group. More than 60 per cent of the organisations surveyed are already developing or planning to develop a corporate intranet. "Internet opportunities are there for the taking - security worries are more about perception than reality," says PA. (http://www.pa.consult-

Electronic

commerce:

'hesitate at

In a keynote speech at the

recent annual conference of

(DISA), Mr Harvey Seegers,

executive of GR Information

data interchange (EDI) "will

enterprise computing, as the

leading enterprise resource

vendors have provided a de

through their development

of interfaces to support EDI

Services, said electronic

your peril'

the Data Interchange

Standards Association

president and chief

play a major role in

planning - or ERP -

facto endorsement of

Internet-enabled EDI,

Internet. This is redefining the supply chain, allowing customers or suppliers to serve themselves with information and conclude husiness transactions online. A survey of 2,357 companies worldwide, carried out in the first quarter of 1997 by IBM, showed that 20 per cent had hy then installed, or were planning extranets advanced Internet applications involving the sharing

of corporate data with husiness partners and suppliers. Many companies would argue that they are already achieving this via Web sites. "The distinction to look for is that an extranet provides external users with hooks to

Harvey Seegers of GEIS: This is

businesses that besitate, do

so at their own peril...

because 1996 was the year

the year for action'

within a company's firewall," says Mr Paul Barker of the consultancy group, The internet is moving on

Now attention is also turntling cost savings from ling to using the Internet to from a static marketing tool. establish extranets - netin which companies set up a works which link one com-Web site to advertise their pany with another over the wares, to providing a network which can support strategic applications. "Our survey confirms that the Internet has evolved to the point where it is being used for grown-up husiness applications, not just e-mail or to external information Web surfing," says Mr Ivor

Coleman of IBM. "Exchanging information over sxtranets costs less than exchanging it through older methods, such as faxes or voicemail," says Mr Andy. Bush, intranet business manager at Sun Microsys-

Most companies begin to apply the technology by giving extranet access to companies with which they have existing relationships. For sxample, when Sun out- in the 1980s by linking mansourced its shipping to a third party, it established an extranet connection between the relevant databases of the two companies.

"Companies may have a few or many extranets, each representing a relationship with a particular supplier or group of suppliers. In the case of Sun's shipping partner, the relationship is one-to-one. But a reseller he available to dozens or bundreds of partners," says Mr Bush.

Perhaps the most famous example of this is the shipping company Federal Express, which gives customers extranet access to check the progress of their

Another example is the software company, Anto- EDL and the costs and comdeak, which has opened up its customer services database to 4,700 distributors worldwide to answer queries and place their own orders, allowing Autodesk to redeploy 20 per cent of its customer services staff.



Giving staff e clear view of the business: Sir Peter Bonfield, BT's

IT and business directors restructuring of the way we carried out earlier this year by PA Consulting found that current use of the Internet is dominated by e-mail, access sources and for advertising

and promotion: About 10 per cent of using the internet for customer-support, and a very · are using it for invoicing and . payments, in some cases replacing existing electronic data interchange (RDI) appli-

"Extranets will allow close partners to work together in the same way as EDI helped ufacturers together to suppliers. The difference is of course that EDI is a closed set of standards which required a huge investment in infrastructure," says Mr. Colin Gounden, managing director, of communications specialists, Conduit Groupware Solutions. ...

The low cost of setting up extranets compared to traditional EDI networks will lead to a great expansion in businessto-business electronic commerce, with even the smallest companies able to afford extranet connections. The term 'EDI Lite' has been coined to describe this devel-

"Previously, only the larg--est companies could afford plexity of setting up an EDI link pre-supposed an existing business relationship," says Mr Joe Alsop, president of Progress Software. "The Internet allows you to send a proposal to a vendor you don't have a relationship Continued on next page

In the UK, a survey of 400 with. This will lead to a all do husiness. You can and let your customers and suppliers serve themselves with information and conclude the transaction on

Mr Alsop says Progress'a respondents said they are WebSpeed software enables companies to carry out . transaction processing via extranets. There is a lot of. talk about doing EDI over extranets, but I don't know of anyone doing it yet," says Ms Denise Fellows, director of consulting at the Internet. service provider Uunet. "The key thing is that there is now an understanding that firewall security is good enough to allow access to

internal systems." Regardless of how many parties have access to a company's data, security needs to be a joint effort, says Mr Bush. Each party involved has to have adequate security in place, to protect not only its own data; but that of its partners as well.

Unless the correct measures have been taken, an internal security breach at one company could lead to . security being compromised in a partner's network," he

One incentive to develop an extranet is that it allows information technology departments to take back control of internet applications, according to Mr Lalit Nathwani, European director of network services at Unisys, "In many cases, use of the internet has led to the same sort of anarchy that was experienced when PCs were first introduced, with departments going out and

### Intranet brings big savings for BT

In just over two years British Telecom has developed an intranet – an internal information network, based on Internet technologies - which is now used by 55,000 people a day, with another 10,000 users due to go online this

The fast-expanding system gives BT staff immediate access to information needed for customers inquirles, allowing swift in the past, might have

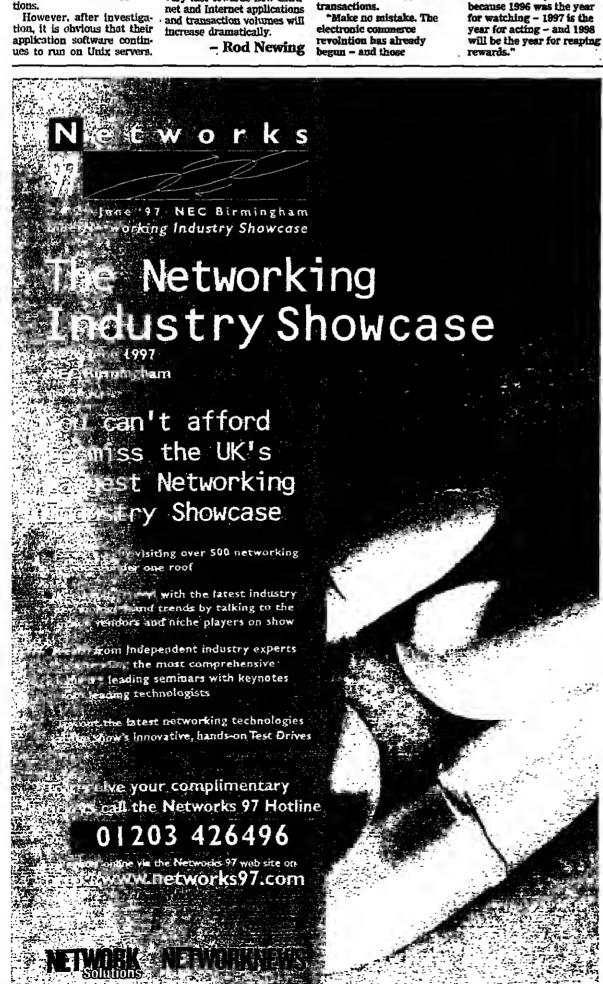
taken days to produce. In financial benefits alone, BT estimates its eturn on the £10m intranet investment at more than 1,500 per cent. Savings for the financial year just ended are £663m - ten times the figure originally forecast two years ago. Technical staff describe the intranet project as "the single most uccessful systems ever made."

Home pages BT allows departments to set up their own intranet home pages, or sites, which provide the information they believe colleagues require. The ability to track usage confirms what is truly valuable - and what is not. Popular sites attract up to 1.5m bits a month.

Managers no longer have to act as information 'sluice gates' - rather, they can building teams and solving problems," says Mr Charles Lowe, who is responsible for e-mail and intranet projects at BT.

In a new approach to Mr Ross Chestney, BT's electronic commu manager, says that "before the intranet was launched, we used to have a 'push me system that just pushed information out. We wanted to move to a 'pull me system where an individual was able to identify and get the information they ne

· Michael Wiltshire





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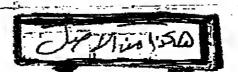
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ENTERPRISE NETWORKS . By Joia Shillingford

# The battle to unblock corporate bottlenecks

How can network managers ensure their systems are up to scratch? The short answer is: by spending money

np networks. "The most important of these is the growth of applications," says Mr Carsten Wegmann, a research director at the Gartner Group. "Applications are not just growing, they are spreading. The network is becoming the com-

Instead of being stored in one place, such as a mainframe, or split between client and server, data and software are being spread around the network. The most obvious example of this is the Internet, where a user jumping from one web site to another may visit multiple servers in minutes.

Such changes in the nature of applications are changing network traffic patterns. Instead of obvious links between users' terminals and a central system. users will be able to access any point on the network.

This not only increases the level of traffic on the network, it also makes it unpredictable. Small wonder, then, that the Internet is often

any different com-puting trends are unpredictable Internet users

 is online. Big corporations could also face slowing networks as they install Intranets (pri-vate Internets) or connect to the Internet. In fact, says Mr Wegmann, the better a job the network manager does, and the more accessible everything is, the more unpredictable traffic will be.

But the spread of Internetstyla computing is not the only reason networks are getting clogged up. The second biggest cause of bottlenecks, according to Mr Wegmann, is remote and mobile workers trying to connect to the corporate network. The need for "replication"

also means a big demand for network capacity. For example, when a Lotus Notes groupware and messaging application is updated, a new version can be broadcast instantly (or "replicated") to all the relevant servers. Users want replication, but it can be beavy on the net-

In the longer term, multimedia applications, such as desktop video-conferencing slow, especially when the US may also take their toll on

audio, are all part of the

Internet/intranet experience. So how can network managers ensure their networks have enough capacity? Like everything else In computing, by spending money.

"For the last 10 years, they got away with it by making incremental changes," says Ms Wesmann. "This time it's

Spending on networks will rise by 1,000 per cent in five years

different. Networks need to be completely redesigned for the new style of computing. Users will have to restructure their networks In the next three years, and we question whether they will have the financial capability. "A lot of network managers haven't told their bosses

what size of cheque they'll have to write." Some users are adopting a wait-and-see approach. This is risky, according to Mr Wegmann: "Those who get

video, graphics and audio all the newer network designs consume large amounts of are taking the least bandwidth Graphics, and to long-term risk because it a growing extent video and takes a long time to change a network."

He believes network managers need to adopt a new network topology, a new set of services, and possibly even e new set of vendors. There are, he says, three types of network:

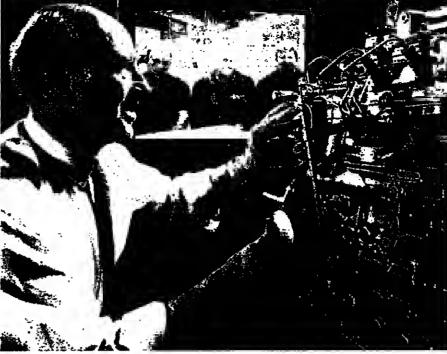
 The intra-enterprise network, such as the local area network (Lan) and the wide area network (Wan). Inter-company networks,

tronic funds transfer or electronic commerce. Business-to-consumer networks, many of which will be driven by the Inter-

such as those used for elec-

Networks are getting cheaper, say researchers at the Gartner Group, but because of the large increase in capacity needed, companies will have to spend more. Gartner is expecting spending on intra-enterprise networks to rise by 300 per cent In the next three-to-five

Spending on inter-company networks will rise by 500 per cent in the same period, and on business-toconsumer networks by 1.000 per cent albeit from a low



Nor will it just be finance second or more) solution companies reaching out to consumers - retailers and even manufacturers will be getting in on the act, predicts Gartner.

The greatest growth will take place on the edges of the network, not on the "backhones" that connect different Lans or sites, says Mr Wegman. The type of high-speed networking solution chosen to address network bottlenecks will also vary in different parts of the network.

He thinks most corporates will choose Asynchronous Transfer Mode (ATM) - a superfast (155 megablts a

more volatile and unpredict-

software such as Pointcast

and Backweb and the devel-

opment of Java-based down-

By moving from a shared

to a switched network, they

can give their staff many

times more power to commil-

nicate with each other, with

suppliers and customers and

Shared networks are

starting to be adapted to a

switched structure In order

to be able to cope with the

rise in network traffic and to

make use of new, power-hun-

gry applications. These Include multimedia systems

combining voice, data and

video as well as Internet and

Routers have been the cen-

tral devices for managing

networks for the past

decade, hut they are rela-

is no longer a cost-effective

way to meet rising demand.

Bridges which connect seg-

"broadcast storms", distur-

own misguided attempts to

Combear's end-user had sat

belp themselves - and.

worse, each other. Mr

at his PC for some time,

then interrupted a

the printer.

pressing various keys and

colleague; their attention

was focused on the PC and

its message, rather than on

with online services.

nore erratic.

networks.

The popularity of "push"

for network backbones. Around the edges of the network, he expects them to use Ethernet or Fast (100Mbps) Ethernet. And for Wans, he believes they will use a mix of frame relay, ATM or X.25, a long-established packet

Opportunities

switching protocol.

He expects companies to buy some of the services they need from telecoms carriers. Because of deregulation, they are offering good from 64 Kbits to several prices for ATM, frame relay, megabits.

and so on. They may also use thirdparty services to connect the company's Intranets or to link the company to the

Mr Henry Ritson, a spokes-

man for Internet service provider UUNet Pipex, says that 64 kilobits a second ISDN (Integrated Services Digital Network) is satisfactory for the smaller corporate network, but a medium-sized company wanting to give users continuous online access to the Internet should install a dedicated leased line operating at anything

tends to occur in peaks, the across the network.

### **Delays** are avoided

Videoconference networks have increasing applications, allowing speedy decisions in many areas of business. For example, BT Visual Business Area (VBA) has supplied video conferencing onipment for the Global Challenge yacht teams to use In each port of call. Oswald, marine business manager for UK-based VarityPerkins – which supplies the main propulsion engines for the entire BT Global Challenge fleet - taking part in a the UK and South Africa, with Alistair Hackett, the event's procurement and logistics manager, located in Cape Town. The video link enabled swift diagnosis of a technical problem, thus avoiding delays in the race

company offers a service on leased lines whereby users pay a small fee for getting the line connected, then pay per megabit of data transmitted. This means that users do not pay for more capacity than they will need for most of the day.

Some companies buy one big "pipe" to connect them to the Internet, while others opt for many small ones, says Mr Wegman, Whatever the choice, one thing is certain; there will be a flurry of data flowing to and from the users' personal computers. Because Internet traffic as applications ripple out

INTRANETS AND EXTRANETS

# How to widen the corporate network

Continued from page five:

setting up their own Web

extranets, the IT department policies and security mechamust have overall control of the technical architecture. There will be a steep function increase in the amount of data going over the network, and if this is not taken into account, there may be problems with physical capacity of the network."

The advice to companies wanting to set up extranets is that they should use their intranet as a testing ground, "If you are going to set np to put the correct support nisms in place.

You need to be sure you can satisfy your 'internal customers' over a network based on Internet technology before you risk opening it out to customers or suppliers," says Mr Nathwani.

Mr Bush suggests that says that while only four per

and Information

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developing an extranet involves not only technical issues - companies accustomed to dealing openly with third parties may have few or no problems in adapting to the extranet model of

doing business". Other organisations may have to

rethink their stance on issues such as data-sharing,

☐ A new study on the intranet market in the UK

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investment opportunities offered by the Internet, Intranets and interactive digital

media. It examines the companies involved in building the Internet, reports on

tions have built an intranet to completion, a third of couple of years. these organisations are in the process of building or and private intranets has preparing one.

The UK market for intranet systems integration and also made network traffic professional services will increase four-fold between 1997 and 2001, when it will be worth £1.2bm a year, adds the report.

Input is on http:// www.

NETWORK CONGESTION . By George Black

### Switching technology could help to overcome the serious problem of congestion on enterpriserevolution wide networks in the next The spread of the Internet greatly increased not only has begun demand for bandwidth but

Conventional system routers may no longer be able to cope with the ever increasing demand for bandwidth

loadable applications will. make the traffic flow even the future will require the Mr Dean Bubley, technolfunctions of both switches and routers. This need to ogy manager for research group Datamonitor, says combine the two technolothese new trends are forcing gies helps to explain the frantic rush of takeovers and companies to upgrade their mergers in the networking

Routers, invented 12 years ago, are likely to survive for many years, but routing functions may increasingly be built into switches

Mr Chris Lewis, principal analyst at the Yankee Group research firm, predicts that convectional routers will be moved from the centre to the periphery of networks.

Routers vendors put a different spin on it. "Routing functionality will start to be distributed across the network to wherever it is most needed," says Mr Jan Schlosser, a product manager for Cisco.

ocal area network tively expensive and do not (Lan) switches bave scale up well. Adding more only been available for around four years but have already made a big impact on corporate networks. ments of a network are Between 1995 and 1996 the increasingly affected hy size of the world market grew from \$1.4bn to \$3.7bn, according to Yankee Group.

bances by which a network First installed at layer two the data link level of the network level.

However, the networks of have moved from the shared 10 megabits per second Rthernet protocol to switched Ethernet and Fast Ethernet which can provide 10 times

that capacity. Not far ahead lies gigabit Ethernet. The first switching products of this kind have already been announced and Forrester Research analysts forecast that it will solve the need for greater speed on

corporate Lans. Adherents of the alternative Token Ring protocol have also adopted a switched version which provides 16Mbps per user. Some have upgraded to a FDDI (Fibre Distributed Data Interface) token ring structure at 100Mbps. But neither Ethernet nor Token Ring on its own looks capable of supporting the high levels of data transmission which

While Ethernet will continue to be used at the desktop well into the next century, it is expected to lose ground among large users to Asynchronous Transfer Mode (ATM). ATM is spreading more

future applications will

slowly than Lan switching. A few enthusiasts have installed 25Mbps ATM for workgroups, and financial institutions such as the Halifax and Nationwide building societies have begun to introduce ATM into their network backbones, but it is not yet widespread.

enabling them to call up extra bandwidth at will, but Several telecommunica-

flexibility for networks,

tions operators do provide ATM services, but users are restricted by the sparseness of operators' ATM-capable sites. How fast they extend their use of ATM will be determined by the commitment of the operators to supporting it.

According to Mr John Matthews, a principal consultant at research company Ovum. the progress of ATM is held up by lack of standards, which inhibits the development of products and means that some may not be inter-

ack of standards also inhibits the creation of d"virtual networks". \nD f which divide users into convenient workgroups and can thus improve efficiency.

Mr Matthews says the ATM Forum, which promotes the new switching technology, now has so many members that its decision-making process has been slowed.

"It has become more like a typical telecommunications standards body than the fast-track organisation. which it was originally." he.

As a result of these prob lems, many users are still wary of making a wholesale commitment to ATM. There is little evidence of secretarion installation projets and even less of a return on the commitment of a return of the commitment of a return of the commitment of a return of the commitment of the commitm investment or a competitive advantage from it. Users are therefore approaching the need for change, cautiously, putting . ln . experimental islands of ATM.

Mr Matthews thinks this i the right way to proceed. would not advise a big move to switching at this stage. would certainly look at put ting it Into the backbone but not to base the whole infra structure on it."

### their financial performance, business strategies and alliances, mergers and acquisitions, and analyses factors influencing sbare price movements. Market data and growth forecasts are also analysed. INTERNET IN PRACTICE A new newsletter, launched this month, reports on practical implementations and applications of Internet technology in the business environment. It features experiences of businesses currently building up their expertise and achievements in the Internet and Intranet fields. Articles will explore the core issues including business planning, review processes and the crucial aspect of Return On Investment (ROI). A must for all companies serious about the real uses of the Internet for profitable business. INTERNET FOR BUSINESS This newsletter keeps you informed of the supply side of the industry by exploring and reporting on areas of infrastructure development and financing, legal and regulatory issues, and the evolution of protocols and standards. It puts complex business issues into perspective, presenting you with a realistic, long-term view of the commercial opportunities offered by the Internet and online services. Job Title: Address: Post code: Tel: email: PLEASE RETURN TO: FT Media & Telecoms, (New Media), Maple House, 149 Tottenham Court Road, London W1P 9LL, UK. Tel +44 (0)171 896 2234 Fax: +44 (0)171 896 2256 email: ftmediasub@pearson-pro.com

### can be crippled. Switches look likely to supersede older network International Standards Organisation's communicadevices such as routers, hubs and bridges, at least In tion model - they are now some parts of the network. moving into layer three, the because they can handle higher transmission speeds To strengthen overmuch better. strained Lans, many users ATM can provide more THE HELP-DESK • By John Kavanagh Conibear received a call at his belp-desk position from a user who was puzzled by a In spite of its crucial role in keeping a PC message saying the printer was not available, he knew the logical steps to "I started by telling the Companies seeking to save colleague may then make user to go to the printer and money by cutting resources call me from there," says Mr to the help-desk - or not even setting one np in the Conibear, from an unnamed UK company in Sussex. first place - are making "After a long gap, the user false economies, according phoned back to say: 'We've to the UK research firm, discovered the problem: the Butler Group, printer's been stolen." "Cost increases elsewhere This story endorses the often prove to be more than view that good help-desks protect end-users from their

# No easy job

company running and saving money, the help-desk often has a poor image

the savings on the help-desk, because people will generally take what they see to be the path of least resistance," says the Butler Group.

"Users will bypass an overloaded help-desk and waste time aimlessly trying various approaches. Sometimes they simply give up. However, they may ask a colleague for belp. The

things worse - or add to the amount of time spent without solving the problem. Even if the problem is eventually

solved, colleagues are very expensive replacements for help-desk resources, as their time is diverted from their "If all this fails, users go direct to people they know

in network support, system development or applications support. The trouble is that they tend to go to the person who helped them last time. This mismatch leads to even higher hidden costs, not least because these specialists are also diverted from their work."

A US Defense Departmen study supports these every minute users spend ulting the help-desk, they save seven minutes trying to solve their own

The fact that user self-help costs are hidden. raises problems in financially justifying help-desk, which is a highly visible and apparently expensive unit. What is more, the costs have increased significantly as companies have moved from central computing to distributed systems using 8 variety of operating system and business software, says Mr Simon Scarrott, the principal consultant et the research company, Compass "Specialist knowledge bases have been diluted," he

says. "Supporting a distributed set-up is 6.8 times more labour-intensiv

Continued on facing page



FINANCIAL TIMES



IT STAFFING ISSUES . By John Kavanagh

# Trend towards contracting-out

The year 2000 computer date problem will bring the future of in-house systems development sharply into focus

years might seem unlikely desperate skills shortages, hut it is nonetheless gaining aupport as users seek new ways of achieving their IT

Delays &

goals. The idea was proposed late last year by UK consultant Mr Philip Virgo after his research for the Institute of Data Processing Management's annual report on IT

The number of IT jobs in the UK will fall by 60 per cent, from an estimated main amendment to the 250,000-300,000 to around argument is that the bulk of Index, in an international 110,000, says Mr Virgo. He from central computing to systema, followed by the

he idea that 1T huge predicted costs of employment will columned amending programs to cope lapse in the next five with the year 2000 computer date-change problem and the as companies struggle with euro currency, will cause companies to say, "Enough is enough".

He also argues that moves to internal networks, based on Internet standards for access to corporate information, will reduce the need for networking and systems spe-These predictions were

they are now gaining support from several directions, albeit with qualification. The

have cut their staff by 40 per cent on average since 1991, largely because of the recession and contracting out.

Separate research bears this out. In January, Delphi, the IT services group, surveyed 275 companies in the UK and found that the number expecting to cut IT staff had risen from 14 per cent to 24 per cent in a year.

In addition, a third of companies reported no skills shortages and a further 16 per cent felt the problem was easing. Even so, there was expected to be a net greeted with some scorn but increase in IT staff over the next two years, although the average came out at less than six per cent.

Research group CSC IT employment will switch study sponsored by 500 top believes the combination of from user organisations to companies, goes as far as to 1990s spending on moving services companies as users predict that "the year 2000 give up the fight to recruit and other external pressures

collapse the predicts is departments to move out of seen; what seems more even more marked move already in view: his research systems development likely is a continuation of towards program packages shows that IT departments between now and the turn of the growing 1990s trend, for business systems, rather the century".

The year 2000 problem will bring the future of in-house sharply into focus, says Mr Brian Morris, author of CSC Index's report on the tonic.

These views have now gained endorsement from Dr Paul Strassman, IT guru, anthor and consultant formerly IT director at Kraft Foods, Xerox and the US Defense Department. He has long argued that the benefits of IT investment are difficult to measure and, indeed, that IT has done little to improve business performance. In his new book. The Souandered Computer, he backs the view that spending on the year 2000 problem will make senior executives look closely at

their IT investments. Whether such spending distributed client/server and retain experienced staff. will force more than half of reviews will bring a halt to Mr Virgo argues that the all information systems investment, remains to be

towards using outside help in some way.

In the UK, a quarter of all systema development IT is now contracted out, according to a new study by Professor Kit Grindley of London School of Economics for the research firm, Compass. This compares with less than 15 per cent in 1993. Scandinavia is rapidly adopting this way of working, programming old programs with the amount of IT contracted out moving from less than five per cent to more than 20 per cent in three

> is approaching 20 per cent. Prof Grindley points to "the acceptance that in-house staff are no longer the best source of up-to-date knowledge and that a contractor can be a business partner, rather than a prey-

years. In Germany, which

has a do-ft-yourself tradition.

growth has been less but the

amount now contracted out

ing supplier". His research shows an

than systems developed by a company's own staff: more than 45 per cent of business software now in use was bought as a package. In the UK, this has increased from less than 25 per cent in 1993. Prof Grindley concludes from these findings that "this is a clear indication that programming - and re-

All this points to a significant shift in IT employment towards the services sector. which is currently booming and, indeed, held back by skills shortages: the Computing Services and Software Association in the IIK says its member-companies have

a 10 per cent staff shortfall. owned IT services group. Cap Gemini, is seeking 1,000 new staff in the UK alone this year, to add to its existing 4,800 people. The new

graduates. "We are turning business away because of shortages of specialists in Oracle, object technology, Informix and solve problems by holding even Cobol," says recruitment manager, Mr Kieran details of solutions. Databases of known problems Norris. "This boom has been and repairs to popular softgoing on for five years and we can see it continuing way beyond 2000. That's a long

Elsewhere, Oracle itself is seeking 200 new graduates in

The move towards Inter-

no longer understood - is proving too difficult for busi-

The biggest Europeancle specialists and 200 new

time in the IT industry."

the UK this year. CMG, which launched a recruitand PL/I skills for year 2000 work a year ago, has increased its target from 30 MagicSolutions, a leading to "several hundred" in the

> net/extranet systems (see page 5) has created yet another breed of IT specialists, comments Mr Craig Coverman, managing consultant at Longbridge Interna-

"As prices increase for these skills, technical people are drawn into the market or they re-train to take advan-



Kit Grindley, Professor of Systems Automation. London School of mics: in-house IT staff face tough problems

tage of higher salaries," says

Such demand does not than those customers com-

perate skills shortages and the not-unrelated speed of moves to external services suggest a jobs market col- suggest that staffing issues, lapse, although services at least among users, could companies supporting many be well on the way to getting customers need fewer staff sorted out - one way or another - within the next bined. However, today's des- five years.

# 'The centre of the world' for IT users

From facing page

than a centralised arrange-

ment, on average." This dilution of knowledge also makes it increasingly unlikely that the person answering the telephone can solve the problem, again increasing the costs.

Ovam, the research group, says the cost of handling a query about a business system quadruples if the person answering the telephone has to refer the problem to a supervisor - and the figure quadruples again if the query then has to be passed to the system developer. Another issue is that IT

staff regard help-desk work as a deviation from their main career path and even as a dead-end, says Mr Dun-

can Brown, a Ovum senior

only technical expertise but companies need to work on np-to-date on network manager at the recruitment company, Hnnterskil

### Reactions

"You get irate users who think their personal computer has stopped working when, in reality, they've forgotten to switch the screen on," he says.

"People in sales or in financial dealing rooms need any problem fixed immediately; they can put a monetary value on downtime. So here is an operation which is crucial for keeping a company running and saving money, yet has a poor image and is seen as costing

In addition, those working money.

also personal and communi- the images: "There's a case cation skills, especially tol- for setting up at least erance and patience, accord- awareness-training for IT ing to Mr Richard Forkan, a people. It's also a good idea to get the experts to sit on the help-desk for an hour.

they quickly see how hard

The UK IT Skills Forum, sponsored by leading IT suppliers and nsers, agrees: The help-desk should be seen as 'the centre of the world' for users and technical staff; the source of solutions, not a poorly resourced add-on, it should therefore

the joh is."

Making the help-desk responsible for IT asset management also ensures that it remains central to the IT department, the Skills Forum says, because

be part of processes such as

financial control and change

The resources and productivity issues are being tackled by the growing number of companies offering systems to automate many help-desk tasks. Companies have sprung up specialising solely in this area.

changes and new users.

### Expansion

In the last two months, the computer manufacturer Hewlett-Packard has take over a Netherlands specialist, Prolin, while US supplier Onyx has opened in Europe with expectations of doubling turnover to almost \$20m this year after growth of more than 400 per cent in each of the last two years.

Help-desk systems typically record queries and protechnical specialists have to vide statistics, maintain IT on the help-desk need not Mr Brown at Ovum says keep the help-desk asset registers and help ment.

vided by the product suppliers, can be loaded into the problem- solutions database. Gartner Gronp, the

research consultancy, has found that such systems are likely to increase help-desk ment campaign for Cobol efficiency and effectiveness by 50 per cent in the first

ware products, usually pro-

snppller, has customers next three years. beating this figure. At Readers Digest, for example, automation has enabled the help-desk to treble the number of calls handled. Such findings are just what belp-desks need as they struggle to gain atten-

tion and respect from their end-users, their IT colleagues and senior manage-

### InterForum's new white paper.

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The business benefits and technological challenges facing companies in the UK are outlined in a new and free of charge - white paper from InterForum, a leading supplier and user net and networked computing issues.

Entitled Commercial in the Networked Economy, man. the 10-page document says there are too few 'ITaware' husinesses with many under-investing in technology.

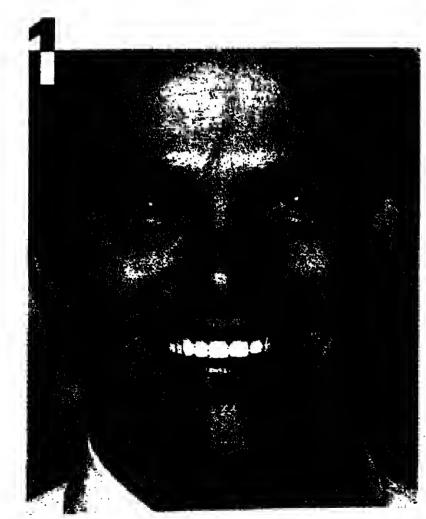
The findings are intended to generate disindustry and commerce, says Mr Phil Flaxton, executive director of Inter-Forum, a not-for-profit web site: group whose charter mem-

Times, the Association for Information and Image Management International (AIIM), IBM, British Telecom, ICL, Sun Microsystems, Microsoft, Oracle, group for Internet, intra- Novell, AT&T, Bay Networks, Platinum Technology, Lucent Technologies, LineOne, Staffware, Opportunities and Threats Segnent and Miller Free ☐ For a copy of the

white paper, contact Inter-Forum at 9-11 EBC House, Richmond Station Buildings, Kew Road, Richmond upon Thames, Surrey, TW9 2NA, telephone 44 (0)181 cussion in wide areas of 332 0446; fax 44 (0)181 332

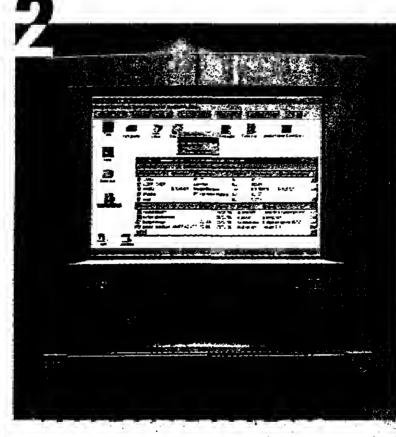
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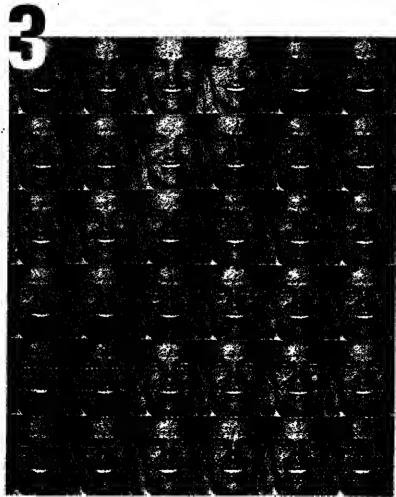
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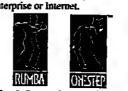
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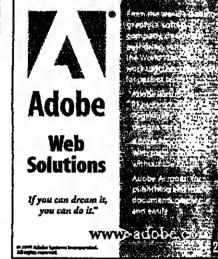
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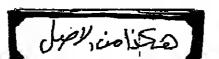
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# FT-IT DIRECTORY INDEX

Page 8			
Activity & Contact Management	1	Helpdesk	19
Business Solutions 11,13,16-18,2	21-23,26-28	Millennium Solutions	2,3,7,8
Connectivity & Application Softw	rare 32	Security Management	6,29,30
ERP Systems	33	Sony OTF	24,25
Finance Manegement	31	Visual Communications Tec	chnology 14-15
Financial Systems Review	4,5,9,10	Web Solutions	20

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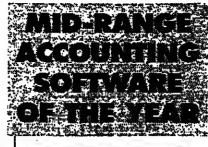
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### FT-IT DIRECTORY INDEX

# Page 9

Computer Networking

Millennium Solutions

Accounting & Business Software Accounting Software

Millennium Solutions for the AS/400

**Network Connectivity** Software Development

16

21-30

10

11

3,4,5,15 6, 20 Supply Chain Solutions

Year 200 Projects

12-14,17-19

31,32

7-9,

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NETWORKING SOFTWARE . By Philip Manchester

# Battleground for leading suppliers

Novell is under attack, primarily from Microsoft with its Windows NT operating system, but Novell still claims up to 70 per cent of the networking Software market

etworking software is like tarmac on road surfaces - not terribly interesting but very important if you want to get somewhere.

Networking software is in fact one of the most important components of modern information technology (IT) systems. It enables computers to 'talk' to each other and individual computer users to join in the whole spectrum of modern computing.

Networking software has also become the focus in the latest round of the conflict between leading software suppliers. While it is accepted that Microsoft has won the battle to dominate the market for desktop operating software, this still leaves the market open for what lies behind the desktop - the glue that ties the network

For the last decade, the Utah-based software company Novell has dominated the networking software market - based oo the success of its Netware products. Netware was originally developed to link PCs in a local area network (Lan) so they could share

printers and database files. Novell still claims 65 to 70 per cent of this market and shipped e million units world-wide in 1996, according to researchers et International Data Corporation. But Novell is under attack - primarily from Microsoft with its Windows NT operating

The nature of networking software has changed. Networking software now has far greater scope than it had a decade ago when Novell's star first began to rise. Modern networking software must be able to cope with enterprise-wide networks - embracing wide-area networking and Internet-based communications.

Along with its rivals, Novell has had to extend its software to include these new technologies - but the change has left it vulnerable. Microsoft argues for a consistent approach to networking based on its Windows NT products. It is pushing Windows on the desktop, on the server and everywhere in between - including the networking software territory currently occupied by Novell.

In simple terms, Microsoft is building the

### Microsoft has recently given impressive displays with its Windows NT products

networking functions into the operating system architecture. "The reason NT is taking off is that you can buy it to share files and printers as before, but you can also do other things. We can offer a high level of interoperability between NT components on the desktop and on the server. Windows NT basically lets you combine them all in a single entity," explains Mr David Bridger. UK product manager for Microsoft.

Microsoft has had some success in convincing customers that NT is a strong-ecough product for server computing. Mr Bridger says that it took 52 per cent of the UK server market in April according to Romtec and other sources confirm its progress. IDC says the company sold 750,000 NT Server packages last year. Microsoft

plans to use this success as a base to move further into enterprise computing including the market Novell has occupied. Last month, Microsoft organised e world-wide marketing event to allay criticisms of NT - demonstrating impressively its ability to operate on multiple computers with very large

Some commentators see the Windows NT long-term domination as inevitable; Mr Charles Brett, president of C3B Consulting notes: "A lot of people are moving to NT when the application need justifies it. But I am not eware of anyone moving from NT to Novell. Microsoft will probably win as a result of long term attrition even though some of Novell'e technology is better." Mr Barry Watts, European business

development manager for Livingston Rental



Dominic Storey, of Novell, ineists: There is more to networking then just connecting

sees evidence of NT's growing presence in the European market: "There is a European-wide feeling that the NT solution is becoming stronger - although we have seen some problems in some NT customers we have supplied equipment to."

Novell is fighting back, however. In April, it forced Microsoft to apologise over its "misinterpretation" of Windows NT sales figures produced by the respected market research company, International Data Corporation, IDC.

Novell'e UK technical director, Mr Dominic Storey, is keen to dispel some other myths about Novell'e position in the market: There is more to networking than just connecting computers together - and, in reality. Microsoft does not do it very well. The networking component of Windows NT is still LAN Manager - which was never a successful product for Microsoft. We see it as a high risk option for users."

Mr Storey also refutes the argument that customers are turning away from Novell's networking software. "There are examples of customers who have taken a decision the other way - a couple of large banks I can think of brought in Novell Netware to replace LAN Manager after running into trouble. And we have continued to develop Netware and introduce new technologies -

such as the Internet and Java. "More important, we have evolved the framework to make it more flexible for future developments."

The reality is, of course, that both Novell and Microsoft can look forward to continued prosperity. Most companies that are large users of IT have both networking software systems - and will probably keep them for the foreseeable future.



FINANCIAL TIMES

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### ENTERPRISE DATABASE MARKET . By Mark Version

# Emergence of the 'PC-mainframe'

New data-processing systems promise big benefits in business planning and process control

mell may be beautiful, but The technology is moving out of a when it comes to databases, high-end legacy and expensive niche 'small' does not deliver the business intelligence. This was the message broadcast across Silicon Valley last month when Tandem Computers, in conjunction with Microsoft, demonstrated what it claimed was the largest NT database ever built

dem's chief executive, Mr Roel Pieper, was that the system represents a new driver in the push towards lowar costs of ownership in the expanding enterprise database mar-ket - growing from \$14bn last year to an estimated \$25bn by 2000.

The two-terabyte system was assembled out of 64 clustered Intel Pentium proprocessors, suggesting a new piece of IT jargon, the PC-mainframe'. Tandem found the data to fill the 480 disk drives et Dayton Hudson Corporation, one of the US's largest general merchandise retail-

Operators took a year'a customer sales information and then exploded it ten times to build a 30bn-row 'table'. Then the activity hars on the aystem management monitor whizzed up and down as a decisionaupport tool drilled through to the level of weekly sales volumes in any one of the company's 1,100 stores. The significance of Tandem'e boast should be assessed within the

context of a rapidly evolving market.

in the world of business.

Confronted with the prob-

iem of how to create systems

which can keep up with the

whirlwind of change, more

and more users are conclud-

ing that the best answer is

buy complete or near-com-

plete packages.

and others.

for several years.

ness needs change.

stances change.

crucial business needs.

searching for new epplica-

tions packages to cope with

new functions as their busi-

The problems involved in

acquiring and then linking

up new applications are just

too great. Users want to be

able to swep applications.

modules or components

quickly and easily as circum-

of high-end mainframes that provided only limited business reporting functionality, into the fast lane of near real time data processing that offers day-to-day business intelligence to virtually anyone who has need of it across the enterprise. Mr David Wells, a consultant with

The point being made by Tan. Ovum Research, explains that last em's chief executive, Mr Roel Pie- year saw a significant shift in the market. "Databases effectively dropped in price to below £100,000," he says. "Great economies of scala could be made; and thus a new paradigm has emerged, in the shape of the departmental datebase, more often than not in the form of the 'datamart'."

These assemblies of information are either downloaded from a data warehouse or are built out of an operational database.

The anterprise databasa/decision support tool combination offers great benefits to organisations in terms of process control and business planning. And as the market develops, the opportunities for vendors become immense. Microsoft, on additional fronts to the partnership with Tandem, is busy trying to persuade the world that NT and the SQL Server database do, indeed, scale to the enterprise.

"Scalability Day" held last month was aimed at doing precisely this,



Philip Crawford of Oracle: 'Re

with barely concealed exasperation in trying to get the message across. But another leader in the field, Oracle, in the person of Mr Philip Crawford, the company'e UK and Ireland managing director, indicates that Tandem has not really come up with anything new.

He explains: "The one issue that you have to remember is that it is not just a matter of the hardware. In fact, the hardware is not particularly some good news.

point in having great hardware and a low-cost NT solution with a poor quality database on it."

Not that Mr Crawford would not

proclaim increased functionality and power for the new version of his own enpany's preduct, Oracle 8, due out at the end of June. But it suggests that the real onus for delivering beneffit rests with the systems' integra-tors and internal IT staff. Installation is much more complex than simply dumping data in a big box. Miss Janet Perna, IBM's general manager for data management, agrees. "You need more than technology," she says. But suggesting that even Unix has work to do, let alone NT, she adds: "Enterprises expect a whole eupport structure and range of experience from their IT suppliers. Unix is still trying to

terms of robustness in the mainframe environment." All this jostling for market posttion makes for fine lines between partnership and competition. Whilst IBM pushes its traditional DB2 flagship database offerings, it also has its fastest growing database products in the NT space. And Tandem were bappy to be present at a recent announcement from Oracle. But if costomers can negotiate a certain sense of confusion, database develop-

achieve what IBM has achieved in

ments should offer the enterprise

ENTEGRATED BUSINESS SOFTWARE PACKAGES. By George Black

### whirlwind of change There are many reaaons for moving to integrated applicetions and most of them have to do with the rapid change

Companies are replacing dozens of ten to 20-year-old bespoke or packaged applications with single, comprehensive software suites

dozens of ten to 20 year-old turned out to be. bespoke or packaged applications with a single, comprehensive suite. They have become mora willing to change their practices to fit the design of the software.

This accounts for the phe-A principal advantage of nomenal rise of the German integrated suites is to get away from the non-standard company SAP, now the interfaces between programs world's fifth largest software developer, and the impreswhich can slow down prosive progress of competitors cessing. Managers want figures on such as Oracle, System Soft-

wara Aaeoclates, JD sales trends a day or two Edwards, Peoplesoft, Baan after the end of each month to be abla to make decisions It has become a crowded on marketing plans. market, but crowded with

If they cannot get thet successful vendors. There is information in time - or are room for at least half a not sure it is accurate when dozen big suppliers and the they get it - they lose market should keep growing ground to competitors. A cost-benefit analysis tells The reason for this is that them they should get more users do not want to go out effective software. Many of the companies

which have decided to instal SAP's R/S or one of its competitors are in industries which are undergoing fundamental re-structuring In the UK, the deregu-

lation of water and electricity and the privatisation of the railwaye have created many more SAP users. Wessex Water chose SAP

Maintaining and modifysoftware, according to projing old inhouse-developed or ect manager Mr Julian Rabpackage applications is not john, partly because in its fast-changing environment it only too expensive, but in. most cases does not meet the could not be sure what it might need but felt sure SAP Companies are replacing could provide whatever it rated by users for range and, systems manager Mr Alan will work.

Globalisation has also stimulated the move to integrated applications. Companies seeking to compete on the world stage are acquir-ing businesses in many countries and entering joint ventures with overseas part-

The need to communicate with them is paramount and this points to adopting world-standard software.

Non-standard interfaces between software programs often slow down processing

There are, of course, some business sectors which are so specialised or ldiosyncratic · government bodies are an obvious case - thet integrated applications have little value for them. But the majority of users are undoubtedly looking for standards.

SAP is still clearly the dominant supplier of integrated applications worldwide and its R/3 is the software product most highly SAP'a. Although financial say whether its new atrategy

integration of functions. The company is adding to Its functionality all the time. for example adding support for the Internet in the latest SAP'e anccess has been

helped by strong and con-

tinuing backing from the big six management consultancies, though the company is now moving into services in competition with them. They have begun to work

their keepness for supporting SAP has not yet been Installing SAP'a R/3 can be extremely labour-intensive and costly. Skills are scarce and demand for them is rising. The year 2000 date conarrival of a single European currency have greatly increased the demand for

> therefore evaluated numerous products in search of a cheaper alternative to R/3. At least a dozen companies compete with SAP in the UK in different situations. However, installing their products can come-

those skills across Europe.

Some companies have

times be just about as hard as installing R/3. The brewer, Scottish and Newcastle, chose Peoplesoft software on the grounds that it was more flexible than

Shaw says he still believes that to be true, he admits his company underestimated the task of installation.

Much depends on bow far the user is willing to accept the vendor's standard options and bow far lt decides to modify the source code for its own particular requirements.

Mr Piero Granelli, executive vice-president of the aupport services group DA with SAP's competitors, but Consulting, reckons SAP's reputation for high cost of installation is not wholly

warranted. According to Mr David Todd, managing director of Philips' systems integrator Origin, much of the effort in installing any such package version problem and the is not in the software but in managing organisational

SAP has recently introduced a cutdown or pre-configured version of R/3 in e bid to win new customers in small and medium-sized

It hopes this version will fend off competitors who claim their products can be

installed more easily. . The new version aims to offer the functionality that smaller users need at e lower cost of installation. SAP will find tough competition in this more price-sensitive sector. It is too early to

JAVA PROGRAMMING LANGUAGE . By Geoffrey Nam .....

oped the language.

spreadsheets. Corel is work-

supposedly greatest when

organisations replace their

PCs with low-cost Network

Computers. These are optim-

ised to run Java applets - a

common criticism of using

top computers is its slow

speed. Also, they do not

Java on conventional desk-

# The promise of sizeable savings

An avalanche of products aim to put Java firmly on the enterprise computing map

ew technologies have created such a storm as Java - and for a growing number of companies etruggling with the headaches and costs of enterprise computing, the question is not if they should start using the new programming language but

For businesses, the main reason for using Java is its promise of cheaper and quicker application development. Software creeted using Java should run without modification on different. types of computer and for large enterprises with a mix of hardware this "portabillty" could bring sizable

Java applications, called "applets", differ from traditional epplications because they are stored on a network eerver and delivered to users' computers only when they are needed. IT departments thus need no longer worry ebout maintaining multiple applications on different computers as everyone uses the same software.

"Java is the perfect

response to the problem of

have hard disks or floppy drives, which improves reliability and stops users installing personal programs - a big source of support headaches. Oracle pioneared the NC idea and has formed a loose alliance with Sun, Netscape and IBM to promote Java

dards for network comput-Last month, Oracle and Netscape merged their NC interests. Despite the heavyweight backing, Java is not going to make organisations change IT strategy overnight. Existing projects may

marketing manager with the rity concerns linger and the JevaSoft division of Sun language has yet to be Microsystems, which develproven in mission-critical critical database applications enterprise applications - the IBM subsidiary Lotus area where it potentially has

most to offer.
"We are still trying to Development plans a range of office productivity applets written in Java that corpounderstand what is feasible rate users will download using this new technology from their intranet to per-[Java] and what we need to form standard office tasks. preserve of our existing busisuch as word processing or ness systems," says Mr Andy Norton, application solutions ing on a similar Java-based suite of office software: manager with UK carmaker Nissan Motors. The benefits of Java are

The company has an intranet but its use is limited to publishing static pages of information for its employees and Nissan's major systems are still mainframebased. "It's not worthwhile to change," says Mr Norton.

un and its allies are confident that enterprises will soon use their intranets for strategic business applications and turn to Java to develop Last month, IBM

announced software to marry Java to IBM'e traditional mainframe systems. and the NC as new stan. The new product, called a component broker, allows developers to write applications in Java that link into existing applications running on maintrames and in particular, the transaction processing systems that power banks and other big Oracla, IBM and Tandem Computers announced in far easier to administer." Jeva is just too new: stan- April they would work to says Amy Porter, European dards are still evolving, secu- creata a Java language

simplify building businessusing Java. Oracle has also unveiled a range of ready-made Java applica-

tions to run over corporate intranets and 'extranets' external networks linking other leading tool vendors, customers or suppliers. The programs allow staff, customers and suppliers to track orders using a Web Java is popular with soft-

ware developers. It's signifi-

cantly easier to program in Java and easier to use than C++ [a widely used language], plus it offers portability," says Mike McCaffery, European development manager with Visigenic, whose VisiBroker for Java product allows applications to be developed in Java and deployed over enterprise net-

works Many IT managers are neverthless reluctant to risk projects on an immature technology that until recently lacked the powerful has refined over seven years. tools available for established client-server development methods. In 1996, Java tools accounted for less than \$100m of the \$27.7hm application development tools market, according to US research group, IDC.

If you want to deploy the same type of functionality as in today's client-server ses. In similar vein, systems it is quite a challenge with existing Java tools," says Mr Peter Kumik, product manager with Sybase, which sells Power-

etary client-server develop-

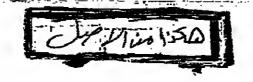
"The use of browsers in business has not yet evolved to the extent that Java is viable, says Mr Kumik. Nevertheless, Sybase and such as Microsoft, Symantec and Borland, have all expanded their tool offerings to include Java.

"For the majority of core business applications the choice is still PowerBuilder but Java shows a lot of notential to deliver these applications in the future. says Mr Kumik.

icrosoft'e Active X

technology offers LV L an alternative to Java for building intranetbased applications. For companies that use predominantly PCs and Microsoft software, analysts say Active X is probably a better choice. It is a more stable tachnology which Microsoft "Active X is a well-established component technology while Java is very young

and immeture," says Mr Mike Pryke-Smith, Microsoft product manager for Internet tools. He says "hundreds" of Active X applications are available from third-party developers. However. Microsoft admits that Java wins in the portability stakee and it has thus licensed the language from arch-rival Sun to allow it to also offer Java products.



software obsolescence and it take months or years to fin-

makes corporate networks ish and for many companies,

# ZINA NICTA V CON CONT.

# What can we do to get your attention?



chang

# The search begins

12 FT - I T

Today, the FT-IT Review launches a competition to find the FT Business Web Site of the Year. The FT is looking for organisations which have used their web site to achieve commercial advantage in their particular market and can display evidence of the

 Business transformation. Measurable financial

There will be category prize winners and an overall winner which will be named as 'FT Business Web Site of 1997'. Winners will be announced at an awards ceremony in November 1997. Details of the winning entries will also appear in the Financial Times. Competition entries are

invited via the web address (below) for the following categories: ☐ Finance. ☐ Large organi

(excluding those in the finance sector) Small and medium-sized organisations, (amploying under 250 employees). □ Not-for-profit

Full details of the competition



Sponsored by UUNET UK

plus a question-and-answer facility for potential entrants and an entry form can be found at the web addre below. The competition is be open to companies in and outside the UK that fall into the categories, listed left.

Entrants' web sites must have been established before January 1, 1997. The deadline for final entries is July 31, 1997, Entrants' claims must be capable of being substantiated, if shortlisted, and candidates may be required to present to the judging panel, either in person or by videoconference, in

September, Details of the competition, which is sponsored by UUNET UK, Europe's largest internet service provider, are also appearing in this month's FT-IT colour magazine, Doing Financial Business Online. published in conjunction with .net magazine.

For full competition details, see the web site http:/www.uunet.pipex .com/events/ft/

Software Flyer

YEAR 2000 DATE SWITCH . By Nuala Moran

# Companies face threat from their external business links

Businesses may feel confident that their computer systems will be ready for the year 2000 date switch. But with the rapid growth of electronic commerce, how can they ensure data from external sources is also date-compliant?

ing computer systems for the year 2000 may be forgiven for feeling smug that at least they are on the road to compliance, given the indications that many businesses have yet to recognised the threat, let alone act

But in a networked world, ansuring internal systems are adapted to handle the date change will not fireproof a company against 'the Millennium bomb'. To avoid problems, all data from external sources must be compliant, as must all systems to which data is transmitted.

"The irony is thet companies are focusing on changes to internal systems that are not the most important element in avoiding Year 2000 problems," says Mr Martin Caddick, practice manager for Year 2000 business at the consultancy, DMR

"Traditionally, IT has had an internal focus. IT departments concentrate on things in their own domain - We own this application: we'll fix it.' Many are taking the same approach with the date

But in the race to be compliant, this is a misuse of who have interfaces with resources. "Rather than deal- their systems to agree how

ha full impact of Inter-

hose organisations in lem, an application at a BACS (Bankers Antomated the throes of prepartime, companies need to Clearing System), which ss what has to be done in terms of business processes. They should track data through from one end of the process to the other, and consider whether it can move through all tha inter-

**Broad impact** 

The Year 2000 problem arises because most older computer systems use only two digits to designate the year. Unless thay are changed, systems are likely to respond to the start of a year ending with the digits 00 by assuming there is an error and stop working, or interpret the year as 1900. This will invalidate all kinds of date-related calculations, sort routines and indexing

procedures. The Edifact standard for electronic data interchange uses only two figures in the date field, making it inevitable that many computerbased trading links will be

So it is not sufficient to ensure internal systems are compliant. Companies must collaborate with all partners ing with the Year 2000 prob- to handle the date change.

handles all transfers of money between banks, has, for example told all its data partners that it intends to take a windowing, or logic approach to handling the date change. It will expect data in the existing format, thet is, with two figures in the date field, and will be

responsible for inferring the

correct date. The alternative to the logic approach is to expand the date field to four digits to make the year unambiguous. "The changes that are the production line stops." required are not difficult. but yoo need to agree a common strategy for each interface," says Mr Caddick.
"And you need a strategy for external interfaces before you go making changes to

Putting the focus on external interfaces will make it easier to get directors to take the Year 2000 problem seriously. Senior managers can sppreciate the impact that the failure of external business links will have on tha company, and will be more worrled by this than the issue of whether an internal application is datecompliant.

internal computer code."

Mr John Secker, director of the UK Millennium Prac-

pany, Origin, agrees that the impact of Year 2000 on trading links "will be very seri-

He adds: "There is less risk from 'bad' Inon-compliantl data getting into your aystem and causing a problem than that good data you send out is not dealt with because the receiving system is non-compliant." For example, s car com-

in-time manufacturing system may find orders are not fulfilled. "A day later, you have no windscreens - and Since just-in-time systems often work on very fine tolerances, with components delivered half an hour before they are needed, a delay of

only half a day could have a

serious impact on a bust-Companies have to do more than simply ask electronic trading partners if they are Year 2000-compliant, says Mr Secker, "As it sion comedy, Blackadder -'Just asking a chap if he is a you can dictate bow you spy, isn't really good

enough." Companies should extend their testing programmes to all external links, be suggests. "When it comes to testing for Year 2000 complitice at the outsourcing com- ance, companies should

regard suppliers as part of their internal organisation." Although tha modifications required to ensure that interfaces continue to work are straightforward, it is very hard to test the changes unless they are tested in a pany which operates a justlive environment. Setting up a full environment to test interfaces will cost a large company tens of millions of

### Difficult issue

Nor is it enough to ensure that suppliers are Year 2000compliant. If customers are affected it could have an equally serious effect on your business. "It may ba more difficult to approach customers than suppliers on this issue, but you need your customers to stay in business, too," says Mr Secker.

tion - or a government make the changes," says Mr James Johnson, director of Global Renovation Centres for the Year 2000 at EDS. "But if a system you are sending data to is unmodified, you have no choice but ers to demonstrate compli-

data in the format expected. This is one of the key reasons wby EDS bellaves It will be one of the leading players in the 'Year 2000 industry'. We're one of the few companies that can work with a customer and Its vendors, if appropriate, in

a beginning-to-end solution." There are indications that companies are beginning to realise they should not view Year 2000 compliance as an internal issue. In the UK. BT has taken the strong-arm approach to ensuring all suppliers are compliant and will involve them in its testing programma which begins \_\_\_\_ later this year.

Lloyds TSB bas set up teams of senior managers to handle the delicate business of ensuring anyone with whom the bank bas electronic links is taking an .. agreed approach.

11 11

Meanwhile, Railtrack is trying to persuade UK rail companies to co-operate in dealing with the Year 2000 problem. It wants an industry-wide agreement on the , v format for date-compliance. and will require key suppli-

RISE OF THE VIRTUAL CORPORATION . By Philip Manchester

The airline business is one of the

most competitive on earth. So to

ensure their continued success.

KLM Royal Dutch Airlines brought

Computer Associates onboard.

With CA, KLM can take

advantage of the world's most

advanced client/server financial

As Executive Vice President

software: CA-Masterpiece.

and Comorate Controller, Hans

national business

with offices all

Bruggink says, "KLM is an Inter-

over the globe. KLIVI

So we needed financial software

that was multi-language and

multi-currency. In both cases,

What's more, Bruggink

CA-Masterpiece operates in "real-

time," giving his staff immediate access to the information they need right from their PCs. Perhaps best of all, Bruggink

says, CA and KLM worked togeth-

er to customise CA-Masterpiece

made sure they had all the input

they needed to tailor Masterplece

to precisely fit their needs: "CA

to our specific requirements.

demands of our business."

ship. "Flying sky high," says

Bruggink. Spoken like a true

airline executive

And they continue to refine the

software to keep up with the new

Sounds like a good partner-

vlasterpiece fit the bill."

appreciates the fact that

# ■ NEXT MONTH'S FT-IT REVIEW IT in financial services

The July 2 issue of the monthly review will focus on key application areas for computers and software banking and financial services. Topics will include:

- ☐ The impact of electronic commerce
- Payments systems and smartcard technological
- ATMs and banking hardware.
- □ Telephone and home banking: ☐ Cheque processing systems.
- ☐ New dealer room systems ☐ Call centre applications .
- ☐ Accounting packages Bectronic financial information services.

For more details about the monthly FT-JT Review, see the information panel on page two of this issue.

# The question is not if, but when

net-based 'electronic' commerce will take years to unravel - but some certainties are evident. rent jargon, become virtual Mr Colin Price, a partner Competitiveness plus changes in markets, the workforce Working practices, the relatantcy, Price Waterbouse tionship between suppliers and customers, and, indeed, (PW) defines a virtual corporation formally as an organisation which "co-ordinates

between suppliers and their employees are set to change. It is also looks certain that economic activity to deliver businesses will continue to value to customers using evolve into more flexible - resources outside the tradiand effective - organisa- tional boundaries of the tions. They will, in the cur- organisation."

corporations'. The consul- at PW and author of a recent study on virtual corporations, says that the trend towards the virtual corporation is the continuation of a process which began 20

"Until the oil crisis in the early 1970s, the dominant theme in business was that by being bigger. But over the last 20 years, the emphasis has changed from scale to scope. An organisation can have a lot of scope without being big." he explains.

This shift in emphasis led business through a series of changes from downsizing, through total quality management, to outsourcing. Mr Price sees the emergence of the virtual corporation as an inevitable continuation of this process.

"The question is not: Is it going to happen? It's when is It going to happen? There are two drivers and two enablers that are pushing it along. The drivers come from changes in the business environment. Globalisation and competition are forcing companies to atop doing what they are not outstanding at.

Secondly, they need to reach new markets - which leads them into more partnerships and co-operativa agreements. "The enablers are new ways to exploit human resources more effectively - teleworking and ontsourcing, for example - and an information technology infrastructure thet lets companies operate as 'intelligeot enterprises'," says Mr Price.

well-advanced. Examples of Waterhouse, says: 'An a move to mora flexible organisation can have a lot of organisational structures are

and working methods are heralding 'virtual' corporations, as technology allows a greater range of business options common: "Look at the Ford company bas increasingly "Our experience shows us" Motor company. In 1980, it relied on partnerships with that the big challenges are

it bas only 14 full-time employees and a few part-time students," says Mr

ware company. Sapiens. He notes that bis own



core software competencies David Green, managing development tools and Year

director of computer soft-2000. But we come up against competitors with a wider range of services and

> alliances with organisations to cover tha other areas." The trend for companies to form alliances is measurable. According to Mr Price of PW. a recent survey of FT-SE 100 companies by Kalchas found that the number of formal equity alliances has grown by 55 per cent in the last five years. It also found thet the number of cooperative agreements to share or develop technology between companies had grown by 200 per cent in the Competitiveness and

changing markets are only part of the story, however. Changes in the workforce and working methods also favour tha trend towards virtual corporations. Teleworking centres, home offices and flexible working practices all help to make it possible. But the most significant advance is evolution of the technology infrastructure needed to support more flexible ways to organise. Global networking through the Internet has created an environment which makes it possible. indeed, the barriers are no

longer seen as technological.

made about 87 per cent of a other suppliers to broaden not technical - they are culcar itself. Now it only makes its market - and to keep a tural. They are about bow a between 30 and 40 per cent. competitiva edge. It has company values itself and

"Or consider the US insurbecome part of a 'virtual' finds where it can make its nee company, General Life: network of suppliers. "We concentrate on our Glenn Osaka, enterprise systems general manager at which are rapid application Hewlett Packard.

"The technology allows for a greater range of options for organisations. They can outsource as much or as little products. So we have set up as they like and still keep control.

### **Predictions**

Mr Smith of PW points to the non-technical implications of virtual organisations and warns of potential problems: "There are some important questions that need answering. How do you build a cultural identity for a virtual corporation?

"How do you build soft." ware systems that span

"I also have some reservations about teleworking. But the virtual corporation

model is going to dominate." Mr Osaka of Hewlett Packard sees the shift to virtual corporations as the beginning of much bigger change. "We are right at the beginning of a major transforma-

tion - not just to commerce and companies," he says. "When you transform corporations, you also transform economics. This could change the basis of economic power. Relationships change between amployer and

employee, between supplier

# Speech-controlled computers

recognition 25 years ago, there was some doubt that this day would ever come," reflected Mr Jim Baker, cofounder and chief executive of Dragon, at the product launch.

It was the need to deploy a continuous speech system which led to L&H's recent acquisition of Kurzweil for \$53m. Analysts believe that deal will allow L&H to 'sbort-circuit' development times and bring its large vocabulary, speaker-independent, continuous dictation product to market at least

six months earlier Systems incorporating natural speech recognition technology have the greatest potential to become accepted by users because they allow normal speech. However, there are already quite a tence, out of which the comnumber of application areas putar will pick the words and lines of business where

used. Philips divides this application area into three

☐ Discrete speech recognition systems: These applications allow users to control a computer, machine or appliance by saying simple words or short phrases, such as "start", "stop" and "dial".

They are already in use in a wide variety of applications, such as telephone banking, quality control systems, and parcel-handling systems

□ Word-spotting systems: These systems allow the user to say a complete senwhich are important to carry server, attached to a local

user with the appropriate information. For example, Philips has a train timetable information system that works on this basis.

☐ Natural speech recognition systems: Tha most advanced category of voice command applications is one that enables the computer to take whole sentences, interpret them, and perform the

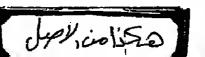
requested tasks. As with IBM, Philips has also moved towards integrating its technology in other applications. The group has a radiology version of its system working in severai hospitals and says there is growing interest in areas the implications could be such as banking and finance.

a slightly different way from those from IBM, Kurzwell and DragonDictate in that it sends the continuous speech signals to a special PC

speech recognition is being out an action or provide the area network. For niche specialist markets, such as medicine, this 'batch' approach is quite acceptable although. the company acknowledges that there is also a demand for immediate real-time

voice recognition. "Speech recognition is an evolving technology that wili continue to improve," says Philips. "Gradually, the dream of being abie to communicata with machines through the power of speech

is coming true." While the day when everyone will be able to use natural speech as a substitute for a keyboard and a mouse. may still be some way off. dramatic. "The whole way of Philips's system works in working and communicating becomes totally different: with n longuage user interface (LUI) as opposed to graphical user interfacs (GUI)," says Mr Bastlaens of





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